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IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1992

IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,  
*Petitioner,*

—v.—

U.S. PHILIPS CORPORATION, NORTH AMERICAN PHILIPS  
CORPORATION, N.V. PHILIPS GLOEILAMPENFABRIEKEN and  
WINDMERE CORPORATION,

*Respondents.*

ON WRIT OF CERTIORARI TO THE UNITED STATES  
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**RESPONDENTS' BRIEF**

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## QUESTIONS PRESENTED

1. Did the court of appeals, after reviewing the relevant facts and the objections of Petitioner, a non-party, abuse its discretion in vacating the district court judgments on the joint application of the parties after the case had become moot following an arm's length settlement?

2.\* Did the court of appeals correctly hold that Petitioner, a non-party, had no standing to oppose the joint motion of all parties to vacate the judgments below, where the non-party (i) deliberately chose not to litigate its own claims in the trial court, (ii) was seeking to assert objections of its indemnitee being sued in another court, and (iii) intentionally waited to assert those objections until after the parties' settlement had been fully consummated, the risk of reversal avoided, and Petitioner's financial exposure to its indemnitee in this case ended?

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\* Petitioner has raised an additional question in its brief on the merits not set forth in its petition for writ of certiorari contrary to Sup. Ct. R. 24.1(a). If its new question is permitted, the issue regarding Izumi's lack of standing should be stated as set forth above.

## STATEMENT PURSUANT TO RULE 29.1

The parents, subsidiaries and affiliates of Respondents U.S. Philips Corporation, North American Philips Corporation, N.V. Philips Gloeilampenfabrieken and Windmere Corporation, other than those that are wholly owned, are listed in the Joint Brief of Respondents in Opposition, dated January 28, 1993.

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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1992

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IZUMI SEIMITSU KOGYO KABUSHIKI KAISHA,  
*Petitioner,*

v.

U.S. PHILIPS CORPORATION, NORTH AMERICAN  
PHILIPS CORPORATION, N.V. PHILIPS  
GLOEILAMPENFABRIEKEN and WINDMERE  
CORPORATION,  
*Respondents.*

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ON WRIT OF CERTIORARI TO THE UNITED  
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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**RESPONDENTS' BRIEF**

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**OPINIONS BELOW**

The opinion of the court of appeals is reported at 971 F.2d 728 (Pet. A1).<sup>1</sup> The judgments of the District Court (Pet. A7-A8; J.A. 126a) entered after the second trial are unreported.

The second trial resulting in the judgments at issue followed an opinion of the court of appeals in 1988, reported at 861 F.2d 695, which reversed the district court's grant of a directed verdict, reported at 680 F. Supp. 361, dismissing Respondent Windmere Corporation's monopolization counter-

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<sup>1</sup> Petitioner's Appendix, hereafter "Pet.". Respondents' Appendix, hereafter "Res.". Joint Appendix, hereafter "J.A.". Petitioner's Brief on the Merits, hereafter "Pet. Br.".

claim. This Court denied a writ of certiorari at 490 U.S. 1068.

### STATEMENT OF THE CASE

U.S. Philips Corporation, North American Philips Corporation and their parent corporation, N.V. Philips Gloeilampenfabrieken (collectively "Philips") and Windmere Corporation ("Windmere"), the only parties to this action, entered into an agreement in May 1992 to settle this case and to release all claims between them (the "Settlement") (J.A. 158a-60a). Having thereby completely mooted an appeal that had been fully briefed, the parties then moved the court of appeals to vacate the district court judgments.

Izumi Seimitsu Kogyo Kabushiki Kaisha ("Izumi"), Windmere's indemnitor but not a party to the trial which resulted in the judgments at issue, sought to intervene and object to the parties' motion. Although the court of appeals denied leave to intervene, the court considered the merits of Izumi's argument and ruled that the parties were entitled to vacatur under the circumstances and in light of its own prior decisions and those of this Court.

Izumi's petition for certiorari was granted on February 22, 1993. The single question Izumi presented did not raise Izumi's standing, and no question was presented regarding the lower court's denial of Izumi's motion to intervene.

#### A. The Claims

In October 1984, Philips brought suit in the United States District Court for the Southern District of Florida, alleging (1) that Windmere had engaged in unfair competition in violation of the Lanham Act by selling electric shavers manufactured by Izumi that copied the distinctive appearance of Philips' NORELCO® shavers, and (2) that Windmere and Izumi had infringed a valid Philips' patent (J.A. 12a).<sup>2</sup>

<sup>2</sup> U.S. Philips is the owner of the patent in suit and was the only plaintiff on the patent infringement claim. North American Philips (continued...)

Windmere asserted numerous antitrust and state law counterclaims (J.A. 1a). Izumi filed no counterclaims in Florida, but chose to assert counterclaims that were identical to Windmere's in a subsequent action between Philips and Izumi still pending in Illinois. *See infra*, p. 7. Thus, Izumi's involvement as a party in Florida was solely as a defendant on the patent infringement claim — a claim finally adjudicated at the first trial.

#### B. The First Trial and Appeal

The claims and counterclaims were tried before a jury in April 1986. At the close of all of the evidence, the district court granted Philips' motion for a directed verdict on Windmere's monopolization counterclaim — other Windmere counterclaims having been dismissed on summary judgment or at the close of Windmere's evidence (J.A. 21a). Philips' claims were submitted to the jury, which found for Windmere on the unfair competition claim and for Philips on the patent infringement claim (J.A. 21a-22a).

The district court entered a permanent injunction on U.S. Philips' patent infringement claim (J.A. 23a), and awarded Philips damages (J.A. 21a). Neither Windmere nor Izumi appealed the patent award or injunction, although Windmere appealed the judgment dismissing its monopolization claim (J.A. 4a).

While Windmere's appeal was pending, the district court awarded Philips a new trial on its unfair competition claim because of the failure to produce documents requested by Philips (J.A. 41). The district court ruled that "Izumi's attorneys, knowing that the [Izumi design] patent had been applied for and granted, intentionally withheld that information from Philips" (J.A. 33a). With respect to the significance of the withheld documents, the court stated:

<sup>2</sup>(...continued)

Corporation was the only plaintiff on the unfair competition (trade dress) claim (J.A. 15a-16a). Petitioner has confused which party was a plaintiff on which claim (Pet. Br. 2).

Izumi took a strong position [at trial] that its razors' design were [sic] dictated by functional necessity, not ornamental reasons. However, in the application for a design patent, Mr. Izumi stated that the design was a factor of ornamentation, not function. Izumi's failure to produce an important document that related to so significant an issue in the trial deprived Philips of a full and fair trial of the merits of the case. (J.A. 35a-36a).

On Windmere's appeal of the directed verdict dismissing its monopolization claim, the Federal Circuit, in a three to two decision, reversed and remanded for a new trial. 861 F.2d 695 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1068 (1989). The majority found that a monopolization claim could be proved by evidence that a predominant firm in a market with substantial entry barriers "slashed its prices" in response to the entry of a new competitor, and that Windmere had presented sufficient evidence of predatory pricing to preclude entry of a directed verdict. The court of appeals rejected Philips' petition for rehearing, which argued that the court had failed to follow the governing law announced a few days before the Federal Circuit's decision in *McGahee v. Northern Propane Gas Co.*, 858 F.2d 1487, 1496 (11th Cir. 1988) (price above total cost is lawful as a matter of law), *cert. denied*, 490 U.S. 1084 (1989). This Court denied Philips' petition for a writ of certiorari. 490 U.S. 1068 (1989).

### C. The Second Trial and Appeal

The second jury trial on Philips' unfair competition claim against Windmere and Windmere's monopolization counterclaim against Philips commenced in April 1990. Izumi did not appear as a party to either claim, although its counsel at the first trial appeared in the second trial as co-counsel for Windmere. Indeed, Izumi insisted that it was not a party to the second trial, refused to provide discovery as a party, and its counsel struck Izumi's name as a party in the proposed pretrial order (J.A. 99a).

At the conclusion of the second trial, the jury found in favor of Windmere on the unfair competition claim. That

verdict was entered after the admission, over objection, of Izumi's design patents which Philips argued were irrelevant and confusing to the jury. The design patents were admitted, although the district court acknowledged that its ruling ran an "enormous risk of misleading or confusing this jury as to what their task is" (Joint Appendix to Appeal from Florida Judgments 293-94; *see also id.* at 274, 278-90, 295-96). Philips' appeal was based on this ground, as well as Philips' position that the district court erred in instructing the jury — contrary to the rulings in a majority of circuits — that Philips bore the burden of proving that its design was non-functional.

The jury also found in Windmere's favor on the antitrust counterclaim. The district court — faced with conflicting statements concerning predatory pricing from the Federal Circuit (which had ordered the second trial) and from the Eleventh Circuit (which announced controlling law in *McGahee*) — rejected Philips' claim of resulting jury confusion, and charged the jury that monopolization could be found if Philips priced below cost *or*, regardless of cost, if Philips, the largest seller of rotary shavers, "slashed prices" to eliminate Windmere as a competitor in a market with high barriers to entry.<sup>3</sup> Philips contended that the evidence established that Philips' electric shavers (with rotating blades) competed vigorously with other electric shavers marketed by, *e.g.*, Remington and Braun (with oscillating blades). Nevertheless, the district court also permitted the jury to find that shavers with rotating blades constituted a separate

<sup>3</sup> Philips also argued on appeal, *inter alia*, that as a matter of law the judgment should be reversed because (1) Windmere's evidence that Philips sold two of its many models below total cost was not supported by any facts, was internally inconsistent, and was belied by any reasonable principle of accounting, (2) Windmere's cost evidence concerned only two of Philips' many models, and thus, Windmere failed to prove predatory pricing on Philips' entire product line as required by law, and (3) Windmere incorrectly ignored N.V. Philips manufacturing profits, and therefore, failed to prove that Philips, both parent and subsidiary, priced below cost. Windmere countered that the verdict below was well founded in fact and law.

antitrust market. The jury awarded Windmere damages of \$29,881,419, and judgment was entered for \$89,664,257 (after trebling) plus attorneys' fees and interest (Pet. A7).

Philips appealed the unfair competition and antitrust judgments to the Court of Appeals for the Federal Circuit. The parties fully briefed the appeal and were awaiting an argument date when a settlement was achieved.

#### D. The Settlement

Philips and Windmere entered into a settlement of all outstanding claims and exchanged general releases in May 1992. Philips paid Windmere \$57 million, which represented approximately \$.50 on the dollar given the value of the antitrust judgment at the time of settlement. Pursuant to the terms of the settlement, reached after long negotiations, Philips dropped its appeal and the parties jointly moved to vacate both judgments (Pet. A17-A18).

Izumi was aware in March 1992, before the settlement was consummated, that vacatur of the judgments was being discussed when Izumi's lawyer withdrew his representation of Windmere because of the perceived conflict between Windmere's and Izumi's interests with respect to the judgments. Notwithstanding its knowledge, Izumi communicated no objections to Philips and did not seek to intervene in the court of appeals until *after* the settlement had been consummated and Philips had given up its right to seek reversal of the judgments (J.A. 8a-9a).<sup>4</sup> Had Izumi raised its objection before the settlement was consummated, Philips could have continued its appeal, perhaps overturning the judgments, and in doing so, not only secure a new trial against Windmere in Florida, but also establish law favorable to Philips in the Illinois litigation.

<sup>4</sup> Petitioner's brief asserts that Izumi "made clear" that Izumi opposed vacatur and that its "protests carried little force with Windmere or Philips" (Pet. Br. 6-7 n.2). Izumi's protests were not directed to and never reached Philips until after Philips withdrew its appeal pursuant to the terms of the settlement, and there is nothing in the record to support any claim to the contrary (J.A. 167a).

#### E. The Illinois Litigation

Izumi opposed vacating the judgments because it hoped to use them in an action that had been brought by U.S. Philips in the District Court for the Northern District of Illinois against Izumi and its customer, Sears, Roebuck & Co. ("Sears") for patent infringement (Pet. A23). Izumi had responded by filing an antitrust counterclaim (identical to that previously filed by Windmere in Florida), joining N.A. Philips and N.V. Philips as third party defendants. N.A. Philips, having been brought into the action by Izumi, then filed an unfair competition claim against Sears (Pet. A15, A23).

In pretrial rulings, the court dismissed Izumi's antitrust counterclaims for its failure to assert them as compulsory counterclaims in the prior Florida action (Pet. A44-A45), and the court thereafter denied Izumi's three separate motions for reconsideration. The court initially dismissed Philips' unfair competition claim against Sears on collateral estoppel grounds following the Florida verdict in favor of Windmere, but subsequently reinstated the claim after the court of appeals vacated that judgment. The district court then granted Izumi's and Sears' motion to certify both rulings for appeal, and an appeal from the Illinois action is presently pending in the Court of Appeals for the Federal Circuit. At Izumi's request, that appeal has been stayed pending a decision in this case.

#### SUMMARY OF ARGUMENT

As recently as May 17, 1993, this Court unanimously reaffirmed that it is appropriate for the courts of appeals to vacate judgments when, as here, circumstances moot a case while on appeal. See *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 61 U.S.L.W. 4461, 4466 (U.S. May 17, 1993) ("If, before the Court [of Appeals] had decided the case, either party had advised it of a material change in circumstances that entirely terminated their controversy, it would have been proper either to dismiss the appeal or to vacate the entire judgment of the District Court. Cf. *United States v. Munsingwear, Inc.*, 340 U.S. 36, 39 (1950).") (dictum).

Here, after the appeal had been fully briefed, the only parties to the case settled all their disputes and exchanged general releases. The case and the entire controversy before the court of appeals was thereby mooted. In the sound exercise of its discretion, the court of appeals granted the motion of all parties to vacate the judgments.

The argument presented by Izumi — that the interests of a non-party in using the judgments in another action should prevail over the rights of the parties — does not in any respect justify abandoning the longstanding rule favoring vacatur when mootness arises from a complete settlement, or suggest that the court of appeals abused its discretion under the circumstances here. Vacatur following settlement has long been recognized as appropriate by this Court, the Federal Circuit and other federal and state courts, and falls squarely within the discretion granted by Congress to courts of appellate jurisdiction. 28 U.S.C. § 2106.

Vacatur of a judgment should be available particularly where, as here, the parties after a jury trial recognize by their settlement that the validity of the unreviewed judgments is uncertain. To impose on the losing party who settles before appellate review the full collateral consequences of such a final judgment is inequitable and can only force litigants to pursue such cases to the appellate end. No non-party "lien" should attach to an unreviewed judgment entered on a jury verdict that precludes the actual parties to the litigation from ending it on terms the appellate court finds just.

While Izumi appears to agree that courts have discretion to vacate judgments after settlement, it quibbles that judgments should not be "routinely" vacated, and complains that the court below improperly exercised its discretion in vacating *these* judgments. Izumi's argument that the court of appeals abused its discretion is based solely on the fact that Izumi and Sears (appearing here solely as an "amicus") wish to use the Florida judgments collaterally in another action. This proposed exception to the general rule favoring vacatur, however, finds no support in the decisions of this Court, the Federal Circuit, or in legislative pronouncements.

Furthermore, the circumstances of this case amply demonstrate that creating the exception Izumi advocates would injure the very interests promoted by the vacatur rule: vacatur here preserved judicial resources by forever ending a complicated appeal, avoiding a likely petition to this Court and a possible retrial; it promoted justice to Philips both by following settled law relied on by Philips when it gave up its right to appeal and by preventing the uncertain and unreviewed judgments from having collateral effects; it promoted justice to Windmere by allowing it to settle its dispute and end its involvement in this litigation while accepting what it believed to be appropriate payment in satisfaction of the judgments; and finally, vacatur did no harm to the public interest in *stare decisis* since only two unreported judgments were involved — not any judicial opinion which might serve to guide the courts or future litigants. Well aware of all these facts, controlling law, and Izumi's contrary contentions, the court of appeals properly exercised its discretion in favor of the parties to the case before it.

As the court of appeals ruled, the equities here favor Philips and Windmere. Rather than actively participating to protect its alleged interests, Izumi avoided participation at trial or in the appeal. Izumi appeared only when it thought it had irrevocably gained from the settlement — by Philips foregoing its right to appeal a judgment in favor of Izumi's indemnitee — and then sought to upset a term of that settlement that was critical to Philips by opposing vacatur.

The Federal Circuit also properly exercised its discretion to deny Izumi standing to object. Izumi was not a party to any claim at issue and was not the party that sought to use the unfair competition judgment collaterally in Illinois. That party, Sears, chose not to intervene.<sup>5</sup> Izumi also failed to assert whatever rights it may have had until the appeal had

<sup>5</sup> Sears — whose interest Izumi purports to assert — itself obtained vacatur of a judgment pursuant to settlement when this result suited Sears' needs. See *Duke v. Sears, Roebuck & Co.*, 446 S.W.2d 886, 887 (Tex. Civ. App. 1969).

been withdrawn. Because the court of appeals determined that Izumi had no standing to appear, Izumi, a non-party, has no right to petition for certiorari on the issue it did, and the writ should be dismissed for that reason alone. *See infra*, pp. 39-44.

The facts of this case, and Izumi's conduct in particular, demonstrate the wisdom of permitting vacatur as ordered by the Federal Circuit.

## ARGUMENT

### I.

#### THE COURT OF APPEALS PROPERLY VACATED THE JUDGMENTS BELOW.

Izumi apparently concedes that whether a judgment should be vacated on settlement is left to the sound discretion of the lower court (Pet. Br. 35). Izumi could not argue otherwise given this Court's decisions on the issue and the discretion granted appellate courts under both 28 U.S.C. § 2106 and Fed. R. App. P. 42(b). Taken together, these authorities confirm that judgments generally should be vacated when an appeal becomes moot. There are no facts here — and none are argued by Izumi — that would justify denial of vacatur.

Izumi contends, however, that the court of appeals did not exercise its discretion because "[t]he practice of the Federal Circuit is to routinely grant a motion" to vacate (Pet. Br. 9), that the court of appeals vacated the judgments "merely because [the] parties had settled" (Pet. Br. 8), and that the Federal Circuit has an "automatic vacatur rule" (Pet. Br. 10). Izumi's argument is based on a distorted notion of what the Federal Circuit did.

Contrary to Izumi's mischaracterizations, the Federal Circuit did not treat the matter as "routine." The court carefully weighed the relevant facts and circumstances before it determined that vacatur should be granted. In reaching this result, the court followed settled case law in this Court,

Congress' broad grant of authority under 28 U.S.C. § 2106, and Fed. R. App. P. 42(b).

Izumi also claims that the Federal Circuit misread the Court's decisions in *United States v. Munsingwear, Inc.*, 340 U.S. 36 (1950), and other cases authorizing the vacatur of judgments. Izumi, however, is wrong; the circumstances in *Munsingwear* are virtually identical to those here, and the facts in cases in which the Court has followed *Munsingwear* are identical to those here. Izumi's reading of *Munsingwear* — that judgments may only be vacated when mootness results from acts beyond the parties' control rather than from intentional acts such as settlement — ignores what happened in *Munsingwear*.

In that case, the appeal was mooted because of a single party's affirmative act — the government's withdrawal of the price controls at issue. *Id.* at 37. Nevertheless, the Court held that the government could have obtained vacatur of the district court judgment on a timely motion. *Id.* at 40-41. That holding was critical, for it was the basis for the Court's further holding that the unvacated judgment had *res judicata* effect. Had the government obtained vacatur of the judgment, the government then could have relitigated the issue encompassed by the judgment. *Id.* at 39-40. *Munsingwear* thus controls every aspect of the present case. If a party that unilaterally mooted a case can obtain vacatur of an adverse judgment and then relitigate the issue against the same defendant, then certainly all parties may obtain vacatur when the parties' settlement moots the case, notwithstanding the objections of a non-party which desires to preserve the judgments for use in another action.

The Federal Circuit properly reviewed and balanced relevant facts and circumstances in the exercise of its discretion. The court then followed the established rule generally favoring vacatur. Accordingly, the Federal Circuit's decision should be affirmed.

**A. AFTER WEIGHING THE RELEVANT FACTS AND CIRCUMSTANCES, THE FEDERAL CIRCUIT VACATED THE JUDGMENTS BELOW IN ACCORD WITH ESTABLISHED PRECEDENT OF THIS COURT AND THE AUTHORITY GRANTED BY CONGRESS.**

Under both the decisions of this Court and by statute (*see infra*, pp. 18-20), the courts of appeals are vested with broad discretion to vacate judgments on settlement. *See, e.g., Cardinal Chem. Co. v. Morton Int'l, Inc.*, 61 U.S.L.W. 4461, 4466 (U.S. May 17, 1993); *United States v. Munsingwear, Inc.*, 340 U.S. 36 (1950); 28 U.S.C. § 2106; Fed. R. App. P. 42(b); *cf. Heitmuller v. Stokes*, 256 U.S. 359, 362 (1921) (where action mooted by affirmative act of party, Court "at liberty to make such order as is 'most consonant to justice in view of the conditions and circumstances of the particular case.'") (quoting *United States v. Hamburg-Amerikanische*, 239 U.S. 466, 478 (1916)).

Accordingly, the court of appeals' judgment is subject to review under a standard of abuse of discretion. *See Pierce v. Underwood*, 487 U.S. 552, 558 (1988); *cf. Chambers v. Nasco, Inc.*, 111 S. Ct. 2123, 2138 (1991) (imposition of sanctions subject to abuse of discretion review); *National Hockey League v. Metropolitan Hockey Club, Inc.*, 427 U.S. 639, 642 (1976) (determination under Fed. R. Civ. P. 37(b)(2) subject to abuse of discretion review).

**1. The Decision Below is in Full Accord with Established Precedent of this Court.**

*Munsingwear* permits the vacation of judgments when an appeal becomes moot, and this Court has consistently applied the *Munsingwear* rationale to order vacatur when mootness results from the parties' settlement.<sup>6</sup>

<sup>6</sup> *See, e.g., Pierce v. Ross*, 455 U.S. 1010 (1982) and *Pierce v. Abrams*, 455 U.S. 1010 (1982) (judgments vacated and cases remanded with directions to dismiss where action mooted by settlement; facts of (continued...))

Indeed, in three recent decisions this Court vacated judgments because a settlement mooted the appeal — precisely the circumstances here. *Continental Casualty Co. v. Fibreboard Corp.*, 113 S. Ct. 399 (1992); *City Gas Co. of Fla. v. Consolidated Gas Co. of Fla.*, 111 S. Ct. 1300 (1991); *Lake Coal Co. v. Roberts & Schaefer Co.*, 474 U.S. 120 (1985) (Res. B2, C3). The judgments in *Continental Casualty* and *City Gas* were vacated pursuant to motion, while in *Lake Coal*, the Court, apparently *sua sponte*, vacated the judgment after the underlying action was settled.

Izumi ignores *Continental Casualty* and *Lake Coal*, and can find no basis on which to distinguish *City Gas*. Therefore, Izumi simply asserts, contrary to a decision that it cites, that *City Gas* should have been disregarded by the Federal Circuit because it was a summary order. This Court, however, has repeatedly instructed that summary dispositions are entitled to binding precedential effect. *See, e.g., Edelman v. Jordan*, 415 U.S. 651, 671 (1974) ("summary [dispositions] obviously are of precedential value") (cited by Izumi); *Tully v. Griffin, Inc.*, 429 U.S. 68, 74 (1976) ("[t]his Court's [summary affirmance] . . . is therefore a controlling precedent"); *Mandel v. Bradley*, 432 U.S. 173, 176 (1977) (*per curiam*) (lower courts bound by summary dispositions,

<sup>6</sup>(...continued)

settlement recited in *Pierce v. Underwood*, 487 U.S. 552, 556 (1988) and *Dubose v. Harris*, 82 F.R.D. 582, 592-605 (D. Conn. 1979)); *United States v. Leiter Minerals, Inc.*, 381 U.S. 413 (1965) (as recited in *United States v. Little Lake Misere Land Co.*, 412 U.S. 580, 590 (1973), judgment vacated and settled case remanded with instructions to dismiss as moot); *Baltimore & O.R.R. v. Atchison, T. & S.F. Ry.*, 383 U.S. 832, 833 (1966) and *United States v. Atchison, T. & S.F. Ry.*, 384 U.S. 888 (1966) (as recited in *Chicago & N.W. Ry. v. Atchison, T. & S.F. Ry.*, 387 U.S. 326, 340 (1967), judgment vacated on settlement); *Managed Funds, Inc. v. Brouk*, 369 U.S. 424 (1962) (upon "joint motion of counsel," judgment vacated on settlement; facts of settlement recited in *Greater Iowa Corp. v. McLendon*, 378 F.2d 783, 793 n.6 (8th Cir. 1967)); *Stewart v. Southern Ry.*, 315 U.S. 784 (1942) (*per curiam*), *vacating as moot* 315 U.S. 283 (vacatur of the Court's prior judgment and reversal of judgment below where settlement mooted action).

which "apply[ ] principles established by prior decisions to the particular facts involved"). Evidencing this longstanding rule, this Court frequently has cited and followed previous summary dispositions in rendering subsequent decisions. See, e.g., *Southern Ry. v. Seaboard Allied Milling Corp.*, 442 U.S. 444, 462 (1979); *Richardson v. Ramirez*, 418 U.S. 24, 53 (1974).

Izumi's position also is not supported by citation to those panels of certain courts of appeals that, Izumi contends, routinely deny motions to vacate on settlement.<sup>7</sup> Subsequent decisions in those courts openly acknowledge that the two decisions relied on by Izumi cannot be reconciled with this Court's precedent. See *Clark Equip. Co. v. Lift Parts Mfg. Co.*, 972 F.2d 817, 819 n.1 (7th Cir. 1992) (Seventh Circuit's refusal to grant vacatur upon settlement "is difficult to reconcile . . . with Supreme Court precedent on the subject"); *Commodity Futures Trading Comm'n v. Board of Trade*, 701 F.2d 653, 657 (7th Cir. 1983) (Seventh Circuit would refuse to vacate under circumstances deemed appropriate for vacatur by the Supreme Court); *Harrison W. Corp. v. United States*, 792 F.2d 1391, 1394 n.2 (9th Cir. 1986) (Ninth Circuit's refusal to grant vacatur upon settlement "has been roundly criticized"); cf. *Scott v. Iron Workers Local 118*, No. Civ. S88297 LKK, at A8 (E.D. Cal. June 1, 1989) (Ninth Circuit's refusal to allow vacatur "appears to be contrary to Supreme Court teachings") (attached hereto as Exhibit A).

Indeed, the Ninth Circuit recently retreated from its decision in *Ringsby*, and now apparently follows the rule mandated by this Court favoring vacatur. See *Davis v. City and County of S.F.*, 984 F.2d 345 (9th Cir. 1993) (citing *Munsingwear*, portion of judgment mooted by the parties'

<sup>7</sup> Izumi cites *In re Memorial Hosp. of Iowa County, Inc.*, 862 F.2d 1299, 1300 (7th Cir. 1988) (Seventh Circuit "always den[ies]" motions to vacate) and *Ringsby Truck Lines, Inc. v. Western Conf. of Teamsters*, 686 F.2d 720, 722 (9th Cir. 1982) (Ninth Circuit "hold[s] that . . . an exception [to *Munsingwear* rule] should be recognized" where an action is mooted by settlement).

settlement vacated notwithstanding court's prior recognition that defendant was frequently subject to similar claims. See 976 F.2d at 1539.).

## 2. Izumi's Attempt to Distinguish *Munsingwear* Is Unavailing and Its Reliance on *Karcher* Misplaced.

In support of its ruling, the Federal Circuit cited, *inter alia*, *United States v. Munsingwear, Inc.*, 340 U.S. 36 (1950), which stated that when an action becomes moot pending appeal, the appellate court has a "duty" to "reverse or vacate the judgment below and remand with a direction to dismiss." *Id.* at 39-40.

Izumi attempts to limit the rule of *Munsingwear* to those circumstances where mootness occurs by factors beyond the parties' control rather than, e.g., when mootness occurs by the affirmative act of settlement. For numerous reasons, Izumi's reading of *Munsingwear* is demonstrably wrong.

First, the facts in *Munsingwear* belie the distinction Izumi would draw. In *Munsingwear*, the appeal became moot because of the government's affirmative act of decontrolling the commodity at issue. *Id.* at 37. Thus, mootness resulted from the deliberate act of a party to the appeal. Nevertheless, the Court stated that appellate courts should generally vacate judgments under such circumstances. *Id.* at 39-40.

Although Izumi cites the Court's reference in *Munsingwear* to review being prevented "through happenstance," *id.* at 40, the Court did not suggest that vacatur was available *only* under such circumstances. Indeed, given that review in *Munsingwear* was prevented because of a party's intentional act, it is beyond dispute that vacatur is available under such circumstances.

Second, nothing in *Munsingwear* suggests that the Court adopted the distinction Izumi would draw. The Court in *Munsingwear* expressly stated that the goal of vacating on mootness was to prevent "prejudice[ ] by a decision which in the statutory scheme [of providing for appeals] was only preliminary." *Id.* Moreover, the Court made clear that the

government — the party mooting the appeal — could have obtained vacatur upon a timely motion, thereby eliminating any collateral effect of the adverse judgment. *Id.* Although Izumi reads into *Munsingwear* a distinction that serves its own ends, the Court clearly did not limit vacatur to appeals becoming moot as a result of unintentional acts.

Third, in granting the joint motion of the parties in *City Gas* to vacate the judgment after settlement — precisely the circumstances here — the Court cited *Munsingwear* in support of its decision. 111 S. Ct. at 1300. Thus, this Court itself has recognized that the holding of *Munsingwear* is not as narrow as Izumi would suggest, and that *Munsingwear* provides controlling authority for the result below.

Fourth, not only has this Court consistently vacated judgments where mootness was caused by settlement (see *supra* pp. 12-14), it has regularly done so in other circumstances, where, like *Munsingwear*, mootness was caused by the affirmative act of one party. See, e.g., *Board of Regents of the Univ. of Tex. Sys. v. New Left Educ. Project*, 414 U.S. 807 (1973), vacating 472 F.2d 218 (5th Cir.) (reversing appellate court refusal to vacate because mootness was due to the intentional act of appellant); *Deakins v. Monaghan*, 484 U.S. 193, 200 (1988) (citing *Munsingwear*, judgment vacated after respondents' withdrawal of federal claims); *Webster v. Reproductive Health Servs.*, 492 U.S. 490, 512-13 (1989) (citing *Deakins* and *Munsingwear*, partial vacatur ordered after change in party's position).

Finally, the distinction drawn by Izumi is irrelevant to the interests which Izumi contends override the parties' interests in vacatur. The reasons for granting vacatur — as opposed to whether vacatur is granted — are irrelevant to the alleged public interest in preserving a judgment or a non-party's desire to use the judgment collaterally.

Thus, there is no basis for Izumi's attempt to limit *Munsingwear*. That decision clearly supports vacatur in precisely the circumstances here.

Izumi's attempt to fit this case within the circumstances of *Karcher v. May*, 484 U.S. 72 (1987), is no more successful than its attempt to distinguish *Munsingwear*. In *Karcher*, the individuals seeking appeal on behalf of a state legislature lost their legislative posts *before* the appeal was perfected. *Id.* at 76-77. The newly elected legislators — who then became the representatives of the losing party below — decided not to appeal. The Court found that the ex-legislators lacked the authority to pursue the appeal or request vacatur because they no longer represented any party in the case. *Id.* at 81. The appeal was dismissed for lack of standing, not mootness. *Id.* Thus, *Munsingwear* was inapplicable because the individuals requesting vacatur were not parties to the action, and hence, had no standing to seek, much less obtain, vacatur. See *Long Island Lighting Co. v. Cuomo*, 888 F.2d 230, 234 n.4 (2d Cir. 1989) ("Thus, *Karcher* was in essence a case in which the losing party did not appeal.").

Izumi's assertion that "[t]here is no meaningful distinction between the facts of *Karcher*, where the appellant voluntarily dismissed its appeal, and the present case" (Pet. Br. 22) is ludicrous. Although this action can be distinguished from *Karcher* on several grounds, the primary and dispositive difference is that *none* of the parties sought vacatur in *Karcher*, whereas *all* of the parties have sought vacatur here. The appeal in *Karcher* was not mooted, but rather no appeal was taken by the losing party. Not only is *Karcher* distinguishable on a variety of grounds — there is nothing in *Karcher* that is relevant here.

### 3. Izumi Has Presented No Reason to Overrule Longstanding Precedent.

Izumi bears a heavy burden in seeking to overrule longstanding precedent permitting vacatur as announced in *Munsingwear*, *City Gas Co.*, and the numerous other pronouncements of this Court cited above. Any departure from *stare decisis*, a doctrine of "fundamental importance to the rule of law," requires "special justification." *Patterson v. McLean Credit Union*, 491 U.S. 164, 172 (1989) (quoting

*Welch v. Texas Dep't of Highways and Pub. Transp.*, 483 U.S. 468, 494 (1987) and *Arizona v. Rumsey*, 467 U.S. 203, 212 (1984)). Moreover, because Izumi is asking the Court to overrule a statutory construction, its burden is even greater, as Congress remains free to act if the Court has misconstrued the authority Congress sought to bestow.<sup>8</sup> *Id.* at 172-73; see also *Hilton v. South Carolina Pub. Rys. Comm'n*, 112 S. Ct. 560, 565 (1991) ("doctrine of *stare decisis* is most compelling" when the issue is one of statutory construction).

Izumi presents no special circumstances here that would justify a departure from established precedent. The fact that Izumi or Sears wish to use the judgments collaterally in another action — the only justification Izumi presents for denying vacatur — is no different from the circumstances in any other case where the judgment, had it not been vacated, might be of use to a non-party. As shown *infra* at pp. 31-39, the policy considerations raised by Izumi are illusory, and certainly not sufficient to justify departure from *stare decisis*. See *Hilton*, 112 S. Ct. at 565.

#### 4. Vacatur of the Judgments Was Within the Broad Authority of 28 U.S.C. § 2106 and Proper Under Fed. R. App. P. 42(b).

In vacating the judgments, the Federal Circuit also properly exercised the discretion conferred by Congress on the federal appellate courts under 28 U.S.C. § 2106. That section states in pertinent part:

The Supreme Court or any other court of appellate jurisdiction may . . . vacate . . . any judgment . . . as may be just under the circumstances. 28 U.S.C. § 2106 (1982).

In construing § 2106, this Court has repeatedly stressed that it confers broad authority on courts of appellate jurisdiction. See, e.g., *Munsingwear*, 340 U.S. at 40 ("Our

<sup>8</sup> The authority to vacate upon mootness derives, *inter alia*, from 28 U.S.C. § 2106. See *Munsingwear*, 340 U.S. at 40; see also *infra* pp. 18-19.

supervisory power over the judgments of the lower federal courts is a broad one. See 28 U.S.C. § 2106 . . .").<sup>9</sup>

The Court has noted that the authority conferred by § 2106 includes the authority to vacate a judgment when an action has become moot pending appeal. *Munsingwear*, 340 U.S. at 40-41; see also *Oracare DPO, Inc. v. Merin*, 972 F.2d 519, 523 (3d Cir. 1992) (relying on § 2106 to vacate district court order where parties' settlement mooted action); *National Union Fire Ins. Co. v. Seafirst Corp.*, 891 F.2d 762, 765 (9th Cir. 1989) (although finding district court did not abuse discretion in denying motion to vacate upon settlement, citing § 2106 as conferring "broad discretion to vacate").

The Federal Circuit's order of vacatur was further within its discretion to fix terms upon which an appeal may be dismissed under Fed. R. App. P. 42(b), which states in pertinent part:

An appeal may be dismissed on motion of the appellant upon such terms as may be agreed upon by the parties or fixed by the court. Fed. R. App. P. 42(b).

Because vacatur was agreed to by all parties to the appeal, the Federal Circuit was clearly within its discretion under the plain language of Rule 42(b) to grant the relief requested.<sup>10</sup>

<sup>9</sup> See also *Haynes v. United States*, 390 U.S. 85, 101 (1968) ("We have plenary authority under 28 U.S.C. § 2106 to make such disposition of the case 'as may be just under the circumstances.'") (citations omitted); *Allied Chem. Corp. v. Daiiflon, Inc.*, 449 U.S. 33, 34 (1980) (contrasting the courts of appeals' "broad authority" under § 2106 with the authority under the All Writs Act, 28 U.S.C. § 1651(a)); *Forman v. United States*, 361 U.S. 416, 425 (1960) (authority under § 2106 authorizes a court to go beyond the particular relief sought in rendering a just disposition).

<sup>10</sup> See, e.g., *In re Penn Cent. Transp. Co.*, 630 F.2d 183, 190 (3d Cir. 1980) (decision to grant or deny motions under Rule 42(b) and to set the terms thereof rests in appellate court's discretion); *Showtime/The* (continued...)

Izumi has not offered any reason why the decision below was not within the discretion vested in appellate courts by statute and rule. Indeed, Izumi has simply ignored both § 2106 — relied on in *Munsingwear* — and Rule 42(b). The decision below, however, was clearly within the discretion afforded by these legislative pronouncements.

**5. The Federal Circuit Found in the Sound Exercise of Its Discretion that Vacatur Was Appropriate.**

The Federal Circuit soundly exercised the discretion vested in it by this Court, by statute and by rule in vacating the judgments under the circumstances here. In accord with these authorities, the Federal Circuit recognizes that “judgments should in general be vacated when the case becomes moot.” (Pet. A5). The court, however, also considers itself obliged to “review the propriety of vacatur” under the circumstances of each case (*id.*), and it undertook such a review here:

[W]e do not hold that vacatur must always be granted, whatever the circumstances. In this case, however . . . the settlement between Philips and Windmere includes all the parties to the appeal. All of the claims of the judgments were appealed, and have now become entirely moot. *See Munsingwear, supra*. The parties to this appeal are entitled to rely on our precedent. Vacatur of the judgments on appeal is appropriate. (Pet. A6).

Contrary to Izumi’s charge, the Federal Circuit did not “ignore” the effects of vacatur on third parties (Pet. Br. 28).

<sup>10</sup>(...continued)

*Movie Channel, Inc. v. Covered Bridge Condominium Ass’n*, 895 F.2d 711, 713 (11th Cir. 1990) (same). Appellate courts regularly exercise such discretion to vacate judgments upon settlement under Rule 42(b). *See, e.g., Purcella v. United States*, 968 F.2d 10 (10th Cir. 1992); *see also Showtime/The Movie Channel*, 895 F.2d at 713-14 (vacating prior published opinion under Rule 42(b) where parties settled between oral argument and decision).

It simply considered and disagreed with the points raised by Izumi. Indeed, in specifically addressing the effects of vacatur on third parties, the court concluded that the equities disfavored Izumi:

Izumi argues that . . . the judgment of the Florida court should be preserved for purposes of collateral estoppel. . . . Izumi seeks the benefit of the Florida settlement, yet seeks the benefit of the Florida judgment for its possible effect in other actions.

Izumi does not dispute that it is not a party to the unfair competition claims in the Illinois action. (Pet. A4).

Thus, in exercising its discretion to reject Izumi’s claims, the court of appeals expressly stated that vacatur was not automatic (Pet. A5, A6). It then ruled that Izumi’s sole reason for opposing vacatur here — the desire to have the judgments used in another action — did not justify either departure from longstanding precedent or upsetting the reasonable expectations of all parties to the judgments. Izumi has not shown that it was an abuse of discretion for the court to refuse to favor Izumi’s alleged interest over those of the parties.

Izumi claims that the court’s discretion should have been exercised as Izumi desires because it was purportedly vitally interested in the results of the second trial in Florida (Pet. Br. 13-15). Izumi makes this claim, yet it avoided becoming a party in Florida, deleted its name from the proposed pretrial order (J.A. 99a), and its counsel represented to the court of appeals that Windmere was the *only* real party appellee in interest (J.A. 156a-57a). Izumi finally appeared only when Philips irrevocably gave up its right to appeal the judgments Izumi now seeks to preserve.

Izumi avoided becoming a party because it believed it then had two chances of winning the issue. If Philips lost to Windmere, Izumi obviously reasoned that the judgment could be used to assert collateral estoppel in Illinois. If Philips won the issue in Florida, then Izumi would contend it was not a

party, and that the Florida judgments had no bearing on the claims in Illinois. The Federal Circuit specifically recognized Izumi's strategy (Pet. A4), and after considering this and other relevant circumstances, it soundly exercised its discretion to vacate the judgments.

Izumi also argues that it had an interest in preserving the antitrust judgment entered against Philips in Florida.<sup>11</sup> In the circumstances present here, however, allowing Izumi to assert an interest in the antitrust judgment to use it offensively only proliferates litigation and rewards Izumi for refusing to join its identical antitrust claims with Windmere's and allows Izumi to try such claims a second time in a subsequent action.

As the Court recognized in *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 330 (1979), offensive use of preclusion frequently causes more, not less, litigation:

[O]ffensive use of collateral estoppel will likely increase rather than decrease the total amount of litigation, since potential plaintiffs will have everything to gain and nothing to lose by not intervening in the first action.<sup>12</sup>

By failing to assert its counterclaim in Florida and then seeking to use the Florida antitrust judgment offensively against Philips in the Illinois action, Izumi typifies the "wait-and-see" plaintiff which caused concern in *Parklane*.

<sup>11</sup> Izumi devotes but a few sentences in its brief to acknowledging that it seeks to "invoke offensive collateral estoppel [on the] antitrust issues." (Pet. Br. 5).

<sup>12</sup> See also *Hauser v. Krupp Steel Producers, Inc.*, 761 F.2d 204, 207 (5th Cir. 1985) (district court's denial of collateral estoppel effect not an abuse of discretion where "wait-and-see" plaintiff gave no reason for not joining in first action); James F. Flanagan, *Offensive Collateral Estoppel: Inefficiency and Foolish Consistency*, 1982 Ariz. St. L.J. 45, 52-61 (offensive collateral estoppel wastes judicial resources for a variety of reasons).

Furthermore, Izumi's interest in the antitrust judgment is even more remote because Izumi's antitrust claim has been dismissed by the Illinois District Court (Pet. A44-A45). Even if its claim were revived, it is unlikely that an antitrust judgment that has at its core a finding of intent to harm a specific party, Windmere, can be used by another plaintiff for nonmutual offensive collateral estoppel. See *Montana v. United States*, 440 U.S. 147, 155 (1979) (collateral estoppel may be applied only if the issue at hand is identical to the issue litigated in the prior proceeding); see also *Parklane*, 439 U.S. at 329-31 (offensive collateral estoppel should not be applied if it would result in unfairness to a defendant). Thus, to have any interest in the antitrust judgment, Izumi must first prevail on appeal and then demonstrate that it is entitled to use the judgment offensively against Philips.

This Court's recent decision in *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 61 U.S.L.W. 4461 (U.S. May 17, 1993), does not suggest that the court of appeals abused its discretion. In *Cardinal*, the Court held that the court of appeals may not automatically vacate a judgment of patent invalidity when affirming a judgment of non-infringement. The Court reasoned that a judgment of non-infringement did not necessarily moot a counterclaim seeking a declaration of invalidity, particularly where both parties sought appellate review of this declaratory judgment, and the lack of such review perpetuated the parties' "ongoing dispute over the issue of validity." *Id.* at 4467.

In the course of its opinion, the Court cited several interests which supported the result in that case — the interest of a successful party in preserving a judgment obtained at great cost and the public interest in the finality of a judgment of patent invalidity. *Id.* at 4466. Neither interest is implicated here.

First, unlike *Cardinal*, the judgments here were vacated on the joint motion of all parties, not *sua sponte* by the court against the wishes of all parties. Although Izumi is a non-party, it contends that it paid for Windmere's defense of the unfair competition claim. Therefore, Izumi argues, its interest is sufficient to preserve those judgments and the parties'

interests must be subordinated. Izumi, however, did not appear in the case or the appeal, thereby attempting to avoid any consequences of an adverse judgment. Izumi should not be permitted to rely on Windmere as the real party to the claim and only assert its alleged interest when the appeal had been dismissed, and Philips had lost its right to appeal. Thus, unlike *Cardinal*, vacatur here was consistent with the interests of the prevailing party below which joined in the motion to vacate.

The public interest in preserving a judgment of patent invalidity after a "fair" trial, *id.*, also does not apply here. Philips' unfair competition claim, of course, involved no patents, and the nature of Philips' claim is so different from a patent claim that the concerns expressed in *Cardinal* are not relevant to this action. First, the jury in Florida did not determine that Philips' design was not protectable or that the design was "invalid." The jury decided only that Philips had not met the burden of proving non-functionality. In the majority of jurisdictions, however, including the Seventh Circuit (in which the Illinois case will be tried), the burden on the issue of functionality is placed on the defendant. See *Abbott Lab. v. Mead Johnson & Co.*, 971 F.2d 6, 20 (7th Cir. 1992); 1 Thomas J. McCarthy, *McCarthy on Trademarks and Unfair Competition* § 7.26[3][d], at 7-126 (3d ed. 1992) ("The majority takes the view that functionality is a classic 'defense' to be pleaded and proven by defendant as part of a challenge to validity.").

Furthermore, while evidence of whether a patent is invalid is *sui generis* to the patent holder and remains the same in any successive trial, evidence of likelihood of confusion and other elements of a claim of unfair competition depend in significant part on the particular facts involving the defendant. See *id.* § 7.26[3][e], at 7-127 ("Each case of alleged functionality will present a unique set of facts . . ."). Thus, Philips' claim of unfair competition against Sears will be based, in part, on Sears' alleged act of intentional copying, whether Sears needed to copy the Philips' shaver to compete, and whether the public is confused as to the source of the Sears shaver. Obviously, unlike a claim of patent infringement, Philips' Illinois unfair

competition claim is based on different law and facts than its claim against Windmere. The fact that a jury found that Windmere was not guilty of unfair competition has very little bearing on the validity of Philips' claim against Sears. Therefore, the public interest in the finality of a judgment of patent invalidity, which precludes the assertion of an invalid patent, simply is not implicated here.<sup>13</sup>

Thus, Izumi has no interest in preserving these judgments that overrides the interests of the parties, and the court properly exercised its discretion in vacating them.

The result below also constituted a sound exercise of discretion by promoting justice and fairness to the parties. The court of appeals' decision permitted Windmere to accept what it believed to be a reasonable settlement and prevented Philips from forever bearing the collateral effect of these unreviewed and uncertain judgments which Philips believed were unjust and outside the bounds of law. See *Munsingwear*, 340 U.S. at 40; *Standefer v. United States*, 447 U.S. 10, 23 n.18 (1980) ("The estoppel doctrine . . . is premised upon an underlying confidence that the result achieved in the initial litigation was substantially correct. In the absence of appellate review, or of similar procedures, such confidence is often unwarranted."); cf. *United States ex rel. Toth v. Quarles*, 350 U.S. 11, 19 (1955) (the power to review biased or incorrect jury verdicts gives "appellate judges . . . a most important place under our constitutional plan").

Vacatur here also promoted fairness to other litigants by allowing Windmere to settle on terms that it deemed satisfactory, and by not rewarding Izumi for waiting to protect its alleged interests until after a trial was had, a judgment entered, an appeal fully briefed, and a settlement

<sup>13</sup> The distinction between the Federal Circuit's practice under review in *Cardinal* and the practice at issue here is underscored by the fact that Chief Judge Nies of the Federal Circuit dissented from the practice at issue in *Cardinal*, but authored the opinion in *Smith Int'l, Inc. v. Hughes Tool Co.*, 839 F.2d 663 (Fed. Cir. 1988), which vacated a judgment on settlement.

reached which mooted the appeal. Parties such as Izumi should be required to litigate all claims in a single action.

As the Federal Circuit surely recognized in exercising its discretion, vacatur also preserved judicial resources. Had vacatur been unavailable and Philips pursued its appeal, the court of appeals would have had to decide numerous complicated and time-consuming issues, and a new trial before the district court was a real possibility. Furthermore, the courts of appeals are split on at least two legal issues raised by Philips' appeal — the proper antitrust standard for predatory pricing and the burden of proof on the issue of functionality. The losing party on the appeal certainly would have petitioned this Court for review. But for this settlement, the Philips-Windmere disputes would surely still be in the courts.

Additionally, denying vacatur will not conserve judicial resources in the Illinois action. First, regardless of whether Philips' unfair competition claims are tried in Illinois, other intellectual property claims involving the same electric shavers will be tried there. Second, Philips strenuously argued before the district court in Illinois that the Florida unfair competition judgment should not be given preclusive effect because, *inter alia*, of the significant differences between the unfair competition law in the Seventh Circuit and that applied in Florida. If the Florida judgment is reinstated and again given preclusive effect, Philips will pursue its arguments on appeal.

Thus, in this action — as is the case generally — vacatur resulted in the immediate and substantial savings of judicial and private resources, whereas any savings resulting from collateral estoppel are, at best, speculative. See, e.g., *Nestle Co. v. Chester's Mkt., Inc.*, 756 F.2d 280, 284 (2d Cir. 1985) (lower court refusing to vacate judgment in an effort to preserve its collateral estoppel effect "was at pains to describe the plight of hypothetical future defendants facing hypothetical future lawsuits brought by [plaintiff]"); Henry E. Klingeman, Note, *Settlement Pending Appeal: An Argument for Vacatur*, 58 Fordham L. Rev. 233, 239-40, 249-50 (1989) (vacatur upon settlement more effective than preclusion in

conserving judicial resources because, *inter alia*, there is little evidence that vacatur upon settlement results in relitigation).

Finally, in achieving equity and preserving judicial resources, the court of appeals did not, as Izumi contends, harm any public interest in precedent (Pet. Br. 33-34). Izumi has confused the public interest that may attach to a judicial opinion which guides future litigants and interprets the law, with the issue in this case — the vacatur of two unreported judgments which do no more than resolve a dispute between Philips and Windmere. See *infra*, pp. 38-39.

In the sound and proper exercise of its discretion, the Federal Circuit weighed all of the relevant facts and circumstances in this action, including Izumi's alleged interest in the judgments, and determined that the judgments should be vacated.<sup>14</sup>

**6. If the Court Determines that the Federal Circuit Erred in Granting Vacatur, the Court's Decision Should Be Applied Only Prospectively.**

In consummating their settlement, the parties relied on unambiguous, settled law that vacatur on settlement was a remedy that should be granted under the circumstances presented here. If the Court determines that the Federal Circuit erred, equity requires that the Court's ruling should

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<sup>14</sup> Petitioner also erroneously attempts to characterize *Federal Data Corp. v. SMS Data Prods. Group, Inc.*, 819 F.2d 277 (Fed. Cir. 1987) as "confirm[ation] that the [Federal Circuit's] practice is to automatically grant settling parties' motion to vacate." (Pet. Br. 18). In *Federal Data*, however, the Federal Circuit specifically stated that it considered and found the reasoning in *Nestle Co. v. Chester's Mkt., Inc.*, 756 F.2d 280 (2d Cir. 1985), persuasive. *Id.* at 279. In *Nestle*, the Second Circuit vacated upon settlement only after it carefully weighed the public interest in the finality of judgments, 756 F.2d at 282, and in the adjudication of the validity of trademarks, *id.* at 284, against the private interests of the parties to the action. *Id.*

be applied only prospectively. *See Chevron Oil Co. v. Huson*, 404 U.S. 97 (1971).<sup>15</sup>

Under *Chevron*, it is appropriate to apply a decision only prospectively under the following circumstances:

First, the decision to be applied nonretroactively must establish a new principle of law, either by overruling clear past precedent on which litigants may have relied, or by deciding an issue of first impression whose resolution was not clearly foreshadowed. Second, . . . we must . . . weigh the merits and demerits of each case by looking to the prior history of the rule in question, its purpose and effect, and whether retrospective operation will further or retard its operation. Finally, we [must] weigh[h] the inequity imposed by retroactive application, for where a decision of this Court could produce substantial inequitable results if applied retroactively, there is ample basis in our cases for avoiding the injustice or hardship by a holding of nonretroactivity.

<sup>15</sup> Izumi argues that the court of appeals applied an incorrect standard in exercising its discretion and that the decision therefore should be reversed. The appropriate remedy in such circumstances, however, is to remand the case for further proceedings consistent with the Court's opinion, not to reverse the result below. *See Cardinal Chem. Co. v. Morton Int'l, Inc.*, 61 U.S.L.W. 4461, 4467 (U.S. May 17, 1993) (Court of Appeals abused its discretion; case remanded "for further proceedings consistent with this opinion."); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 257 (1986) ("Because the Court of Appeals did not apply the correct standard . . . we vacate its decision and remand the case for further proceedings consistent with this opinion."); *Mandel v. Bradley*, 432 U.S. 173, 179 (1977) (per curiam) (footnote omitted) ("The application of [the relevant] standards to the evidence in the record is, in the first instance, a task for [the court below]. We therefore . . . remand the case for further proceedings consistent with this opinion."); *see also United States v. Hasting*, 461 U.S. 499, 515-18 (1983) (Stevens, J., concurring) (Court should not undertake record-review).

*Id.* at 106-07 (citations and internal quotations omitted). Each of the elements of *Chevron* are satisfied here.

First, and as shown above (*see supra*, pp. 9, 12-17), Philips was willing to settle on the terms that it did and abandon its meritorious appeal in large part because well established precedent confirmed that a joint motion to vacate would be granted under the circumstances here. Reasonable reliance of the parties is "consistently given great weight" in determining whether to apply a decision only prospectively. *American Trucking Ass'ns v. Smith*, 496 U.S. 167, 185 (1990) (plurality opinion). As the Federal Circuit declared, "[t]he parties to this appeal are entitled to rely on our precedent. Vacatur of the judgments on appeal is appropriate." (Pet. A6).<sup>16</sup>

The circumstances here also meet the second element of *Chevron*. Reinstatement of the judgments below would not promote any of the goals cited by Izumi — conserving judicial resources (*see supra*, pp. 22, 26-27) or achieving equity (*see supra*, pp. 25-26). Prospective application of a new rule prohibiting vacatur upon settlement also will not "depriv[e] the public of judicial precedents created at substantial cost to the public." (Pet. Br. 34). Because only judgments and no opinions were vacated here, there is no adverse effect on *stare decisis*. (*See infra*, pp. 38-39). In addition, the questionable nature of these unreviewed and unpublished judgments confirms that the public has little, if any, interest in their preservation. The parties' willingness to settle on the terms that they did at a point when the appeal had been fully briefed demonstrates the uncertainty over whether the judgments would be sustained on appeal. Under

<sup>16</sup> The reliance element of *Chevron* is satisfied when a party relies on precedent within its circuit which the Court later overrules. *See Chevron*, 404 U.S. at 107 (party relied on Fifth Circuit precedent); *Saint Francis College v. Al-Khazraji*, 481 U.S. 604, 608 (1987) (party relied on Third Circuit precedent); *see also Anton v. Lehpamer*, 787 F.2d 1141, 1143 (7th Cir. 1986) (in examining first element of *Chevron*, the court should focus on precedent within the circuit rather than on "clear precedent" nationwide).

these circumstances, prospective application cannot cause harm to the "public interest" in precedent.

Indeed, in accord with fundamental fairness, prospective application will foster the goals underlying a new principle that overrules clear past precedent by providing parties with the opportunity to adjust their expectations and structure their affairs accordingly from this point forward. See *Mineo v. Port Auth. of N.Y. and N.J.*, 779 F.2d 939, 945 (3d Cir. 1985), cert. denied, 478 U.S. 1005 (1986).

In applying the third element of *Chevron*, it is beyond contention that it would be inequitable to apply a new rule to Philips. Doing so would subject Philips to both the settlement, requiring that Philips pay \$57 million to Windmere and give up its right to appeal, and the consequences of the reinstated judgments.<sup>17</sup> Because Philips relied on settled law favoring vacatur, it would be extremely inequitable for Philips to bear whatever consequences the reinstated judgments might have without any possibility of reviving its appeal and retrieving its payment to Windmere.

In sum, retroactive application to Philips of a decision disallowing vacatur would "produce substantial inequitable results." See *American Trucking*, 496 U.S. at 183 (quoting *Chevron*, 404 U.S. at 107). Any new rule of law announced by this Court should be applied only prospectively, and the result below should be left intact.

<sup>17</sup> The substantial inequity element of *Chevron* is satisfied where a party has justifiably relied on clear precedent and retrospective application of the new decision will preclude the party from pursuing a remedy, see *Saint Francis*, 481 U.S. at 608 (change in applicable time limitations period); *Chevron*, 404 U.S. at 108 (same), where there would be extreme hardship to parties who relied on the constitutional validity of the court system, see *Northern Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 88 (1982) (reliance on unconstitutional Bankruptcy Act), or where there would be great cost to the party who justifiably relied, see *American Trucking*, 496 U.S. at 182 (retroactive application of unconstitutional taxing structure could unfairly deplete state treasury).

**B. THE PRACTICE OF PERMITTING COURTS  
TO VACATE JUDGMENTS UPON SETTLEMENT  
IS WELL ESTABLISHED AND REFLECTS SOUND  
POLICY; IT SHOULD NOT NOW BE CURTAILED.**

There are sound policy reasons why this Court should not abandon the rule announced in *Munsingwear* and its progeny, or limit the discretion granted by 28 U.S.C. § 2106 and Fed. R. App. P. 42(b). Vacation of judgments on settlement is widely accepted and employed by the courts, and curtailing such a practice will undoubtedly increase already crowded appellate dockets. The practice also protects the interests of litigants and, particularly because the practice here concerns only judgments and not opinions, it does not implicate the significant interests advanced by *stare decisis*.

**1. Vacation of Judgments Upon Settlement  
Is a Widespread and Longstanding Practice.**

The prevailing practice of ordering vacatur upon settlement has a significant impact on the promotion of settlement and the preservation of judicial resources. Since 1970, there have been at least 56 reported federal circuit and district court cases in which some form of vacatur upon settlement was ordered or indicated.<sup>18</sup> State courts also frequently

<sup>18</sup> See, e.g., *Davis v. City and County of S.F.*, 984 F.2d 345 (9th Cir. 1993); *Rodriguez v. Meba Pension Trust*, 978 F.2d 1334 (4th Cir. 1992); *Purcella v. United States*, 968 F.2d 10 (10th Cir. 1992); *Studio 1712, Inc. v. Etna Prods. Co.*, 968 F.2d 10 (10th Cir. 1992); *Baxter Healthcare Corp. v. Healthdyne, Inc.*, 956 F.2d 226, 227 (11th Cir. 1992); *Israel Discount Bank Ltd. v. Entin*, 951 F.2d 311, 313 n.3 (11th Cir. 1992); *Laber v. Merit Sys. Protection Bd.*, 982 F.2d 519, 520 (Fed. Cir. 1992); *Oracare DPO, Inc. v. Merin*, 972 F.2d 519, 523 (3d Cir. 1992); *Resolution Trust Corp. v. Tetco, Inc.*, No. 91-5612, 1992 WL 437650, at \*1 (5th Cir. Apr. 22, 1992); *Trudo v. County of Pueblo*, No. 91-1253, 1992 U.S. App. LEXIS 19164, at \*1 (10th Cir. Aug. 11, 1992); *Kimrough v. Bowman Transp., Inc.*, 929 F.2d 599 (11th Cir. 1991); *Kliebert v. Upjohn Co.*, 947 F.2d 736, 737 (5th Cir. 1991); *Howell v.* (continued...)

<sup>18</sup>(...continued)

*Evans*, 931 F.2d 711, 712 (11th Cir. 1991); *In re Shelby Motel Group, Inc.*, 925 F.2d 1583, 1584 (11th Cir. 1991); *Mur-Maid Enters., Inc. v. Townsend*, 951 F.2d 297 (11th Cir. 1991); *Wiley v. Western Airlines, Inc.*, Nos. 89-16141, 89-16142, 1991 U.S. App. LEXIS 8239, at \*8 (9th Cir. Apr. 15, 1991); *Showtime/The Movie Channel, Inc. v. Covered Bridge Condominium Ass'n*, 895 F.2d 711, 713-14 (11th Cir. 1990); *Reliance Ins. Co. v. Kent Corp.*, 909 F.2d 424, 425 (11th Cir. 1990); *Long Island Lighting Co. v. Cuomo*, 888 F.2d 230, 233-34 (2d Cir. 1989); *Dunn v. Blue Ridge Tel. Co.*, 888 F.2d 731, 732 (11th Cir. 1989); *United States v. Queen Mountain Mining, Inc.*, 865 F.2d 1269 (6th Cir. 1989) (text in Westlaw); *Smith Int'l, Inc. v. Hughes Tool Co.*, 839 F.2d 663, 664 (Fed. Cir. 1988); *Federal Data Corp. v. SMS Data Prods. Group, Inc.*, 819 F.2d 277, 280 (Fed. Cir. 1987); *Tosco Corp. v. Hodel*, 826 F.2d 948, 948 (10th Cir. 1987); *Societe Nationale Industrielle Aerospatiale v. United States Dist. Court For the Dist. of Alaska*, 823 F.2d 382, 383 (9th Cir. 1987); *Grochal v. Aeration Processes, Inc.*, 812 F.2d 745 (D.C. Cir. 1987); *Kennedy v. Block*, 784 F.2d 1220, 1225 (4th Cir. 1986); *Nestle Co. v. Chester's Mkt., Inc.*, 756 F.2d 280, 284 (2d Cir. 1985); *Hendrickson v. Secretary of Health and Human Servs.*, 774 F.2d 1355 (8th Cir. 1985); *Douglas v. Donovan*, 704 F.2d 1276, 1280 (D.C. Cir. 1983); *Delta Air Lines, Inc. v. McCoy Restaurants, Inc.*, 708 F.2d 582, 584 (11th Cir. 1983); *Aviation Enters., Inc. v. Orr*, 716 F.2d 1403, 1408 (D.C. Cir. 1983); *Amalgamated Clothing & Textile Workers Union v. J.P. Stevens & Co.*, 638 F.2d 7, 8 (2d Cir. 1980); *Inland Corp. v. Buckeye Tank Terminals, Inc.*, No. 78-3062/3, slip op. at 1 (6th Cir. May 15, 1980); *Ellis v. Flying Tiger Corp.*, 504 F.2d 1004, 1006 (7th Cir. 1972); *United States v. Hartec Enters., Inc.*, 130 B.R. 929 (W.D. Tex. 1991); *Tyson v. Levinson*, 56 Empl. Prac. Dec. (CCH) ¶ 40,622, at 66,274 (D.D.C. 1991); *Trailer Marine Transp. Corp. v. Philadelphia Export Consolidations, Inc.*, No. 88-4634, 1991 U.S. Dist. LEXIS 5318, at \*1 (D.N.J. Mar. 27, 1991); *Bonnett v. United States*, No. 91-352-CIV-T-10A, 1991 U.S. Dist. LEXIS 16637, at \*1 (M.D. Fla. Oct. 29, 1991); *DeLorean v. Cork Gully*, 118 B.R. 932, 938 (E.D. Mich. 1990); *In re Fryar*, 113 B.R. 317, 318 (W.D. Tex. 1989); *Schering Corp. v. Schering Aktiengesellschaft*, 709 F. Supp. 529, 530 (D.N.J. 1988); *Streiff Jewelry Co. v. United Parcel Serv.*, 679 F. Supp. 7 (S.D. Fla. 1988); *Jacobson v. John Hancock Mut. Life Ins. Co.*, 662 F. Supp. 1103, 1113 (D. Conn. 1987); *Lowery v. WMC-TV*, 661 F. Supp. 65, 65-66 (W.D. Tenn. 1987); (continued...)

vacate, modify or reverse upon settlement or request of the parties.<sup>19</sup> This sampling of reported cases reflects the

<sup>19</sup>(...continued)

*Welsch v. Gardebring*, 667 F. Supp. 1284, 1298 (D. Minn. 1987); *Hi-Hat Restaurant, Inc. v. INS*, 584 F. Supp. 1272 (D. Or. 1984); *Candelaria Indus., Inc. v. Occidental Petroleum Corp.*, 662 F. Supp. 1002, 1011 (D. Nev. 1984); *Universal City Studios, Inc. v. Nintendo Co.*, 578 F. Supp. 911, 916 (S.D.N.Y. 1983), *aff'd*, 746 F.2d 112 (2d Cir. 1984); *Harrell v. C.C. Mayes Co.*, 99 Lab. Cas. (CCH) ¶ 10, 725, at 20,504-05 (E.D. Tenn. 1983); *D'Antonio v. United States*, 635 F. Supp. 391, 392 (S.D. Ohio 1983); *Angstrohm Precision, Inc. v. Vishay Intertechnology, Inc.*, 567 F. Supp. 537, 539 (E.D.N.Y. 1982); *United States v. American Tel. & Tel. Co.*, 552 F. Supp. 131, 138 n.17, 226 (D.D.C. 1982), *aff'd sub nom.*, *Maryland v. United States*, 460 U.S. 1001 (1983); *Township of River Vale v. Harris*, 444 F. Supp. 90, 91 (D.D.C. 1978); *Breckenridge Hotels Corp. v. Real Estate Research Corp.*, 456 F. Supp. 385 (E.D. Mo. 1978); *Doe v. Swinson*, No. 76-91-A, slip op. at 1 (E.D. Va. Dec. 22, 1976).

<sup>19</sup> See, e.g., *City of Valdez v. Gavora, Inc.*, 692 P.2d 959, 960-61 (Alaska 1984); *Southwest Sav. and Loan Ass'n v. Mason*, 751 P.2d 526, 527 (Ariz. 1988); *Sanson v. Gonzales*, 688 P.2d 641, 642 (Ariz. 1984); *Food for Health Co. v. 3839 Joint Venture*, 628 P.2d 986, 989 (Ariz. Ct. App. 1981); *St. Paul Fire and Marine Ins. Co. v. Hundley*, 354 F. Supp. 655, 657-58 (E.D. Ark. 1973); *Neary v. Regents of the Univ. of Cal.*, 834 P.2d 119, 126 (Cal. 1992); *Fowler v. Associated Oil Co.*, 79 P.2d 728 (Cal. 1938); *Stonewall Ins. Co. v. City of Palos Verdes Estates*, 9 Cal. Rptr. 2d 663, 666, 681 (Cal. Ct. App. 1992); *City of Laguna Beach v. Mead Reins. Corp.*, 276 Cal. Rptr. 438, 441 (Cal. Ct. App. 1990); *Cabot v. Colorado Charter Lines, Inc.*, 776 P.2d 1151, 1151 (Colo. Ct. App. 1989); *Sobocinski v. Freedom of Info. Comm'n*, 566 A.2d 703, 708-09 (Conn. 1989); *Lee v. A.C. & S., Inc.*, 538 A.2d 1113 (Del. 1988) (text in WESTLAW); *In re Miller's Estate*, 197 So. 791 (Fla. 1940); *Burgwin v. Stewart*, 182 So. 297 (Fla. 1938); *State ex rel. Meredith v. Cone*, 177 So. 545 (Fla. 1937); *Adams v. Galloway*, 155 So. 96 (Fla. 1934); *Robinson v. Croker*, 158 So. 123, 124 (Fla. 1934); *Mortgage Corp. of America v. Inland Constr. Co.*, 463 So. 2d 1196, 1196 (Fla. Dist. Ct. App. 1985); *Rothenberg v. Connecticut Mut. Life Ins. Co.*, 161 So. 2d 875, 877 (Fla. Dist. Ct. App. 1964); *Schlitz v. Schlitz*, 138 So. 2d 806, 806-07 (Fla. Dist. Ct. App. 1962); *L.P. Gunson & Co. v. Merritt*, (continued...)

<sup>19</sup>(...continued)

100 So. 2d 191, 192 (Fla. Dist. Ct. App. 1958); *McKenzie v. Chastain*, 184 S.E. 276, 277 (Ga. 1936); *Hales v. Worthy*, 43 Ga. 178 (1871); *Dougherty County Sch. Sys. v. Grossman*, 149 S.E.2d 920 (Ga. Ct. App. 1966); *Barnett v. Moss*, 106 S.E.2d 60 (Ga. Ct. App. 1958); *Padgett v. Padgett*, 13 S.E.2d 40 (Ga. Ct. App. 1941); *E. Fredericks, Inc. v. Felton Beauty Supply Co.*, 9 S.E.2d 198 (Ga. Ct. App. 1940); *Henry v. St. John's Hosp.*, 563 N.E.2d 410, 412 (Ill. 1990), *cert. denied*, 111 S. Ct. 1623 (1991); *Jessee v. Amoco Oil Co.*, 594 N.E.2d 1210, 1211 (Ill. App. Ct. 1992); *Burris v. John Blue Co.*, 358 N.E.2d 724, 725-26 (Ill. App. Ct. 1976); *Nahigian Bros., Inc. v. Rug Serv., Inc.*, 12 N.E.2d 42 (Ill. App. Ct. 1937); *GTE North Incorp. v. First State Ins. Co.*, No. 88 C 4376, 1990 U.S. Dist. LEXIS 15413, at \*6-\*7 (N.D. Ill. Oct. 25, 1990); *Thompson v. Stephenson*, 332 N.W.2d 341, 342 (Iowa 1983); *In re Estate of Williams*, 216 N.W.2d 568, 569-70, 573 (Iowa 1974); *Board of Educ. of Berea v. Muncy*, 239 S.W.2d 471, 473-74 (Ky. Ct. App. 1951); *St. Charles Parish Sch. Bd. v. GAF Corp.*, 512 So. 2d 1165, 1173 (La. 1987); *Preston Oil Co. v. Transcontinental Gas Pipe Line Corp.*, 594 So. 2d 908, 909-10 (La. Ct. App. 1991); *Bolin v. Hartford Accident & Indem. Co.*, 198 So. 2d 489 (La. Ct. App. 1967); *Callihan v. Monsour*, 34 So. 2d 521 (La. Ct. App. 1948); *Rogge v. Cafiero*, 134 So. 909, 910 (La. Ct. App. 1931); *Area Dev. Corp. v. Free State Plaza, Inc.*, 254 A.2d 355, 356-57 (Md. 1969); *Ladner v. Ladner*, 97 So. 2d 238, 239 (Miss. 1957); *Ogle v. Guardsman Ins. Co.*, 701 S.W.2d 469, 470-71 (Mo. Ct. App. 1985); *Koone v. Montgomery*, 114 S.W.2d 713 (Mo. Ct. App. 1938); *Civil Serv. Bar Ass'n v. City of N.Y.*, 474 N.E.2d 587, 589 (N.Y. 1984); *Ruben v. American & Foreign Ins. Co.*, 592 N.Y.S.2d 167, 171 (N.Y. App. Div. 1992); *Two Lincoln Square Assocs. v. New York City Conciliation and Appeals Bd.*, 427 N.Y.S.2d 424, 424 (N.Y. App. Div. 1980); *Stokes-Grimes Grocery Co. v. Hill*, 97 S.E. 468 (N.C. 1918); *In re Garner's Estate*, 148 P.2d 784 (Okla. 1944); *Ray v. Phillips Petroleum Co.*, 148 P.2d 784 (Okla. 1944); *Bigpond v. Mutaloke*, 105 P.2d 408, 410 (Okla. 1940); *Martin v. Mutaloke*, 105 P.2d 413, 415 (Okla. 1940); *Smith v. Plains Petroleum Corp.*, 25 P.2d 323, 325-26 (Okla. 1933); *Banister Continental Corp. v. Northwest Pipeline Corp.*, 724 P.2d 822 (Or. 1986); *Morgan v. Stimson Lumber Co.*, 618 P.2d 970, 973 (Or. Ct. App. 1980); *General Motors Acceptance Corp. v. Carter*, 361 S.E.2d 620 (S.C. 1987); *Commonwealth Lloyd's Ins. Co. v. Thomas*, 843 S.W.2d 486, 487 (Tex. 1993); *Public Citizen v. Third Court of* (continued...)

widespread nature of this practice, and although it is impossible to calculate the frequency with which vacatur upon settlement goes unreported, it surely happens with even greater frequency than reflected by reported decisions.

The prevalence of vacating judgments upon settlement reflects the fact that a primary purpose of the judiciary, as reflected in Article III of the Constitution, is to provide a forum for the resolution of real cases or controversies between actual litigants, and that a judgment is a means to this end. As this Court has declared:

In all civil litigation, the judicial decree is not the end but the means. At the end of the rainbow lies not a judgment, but some action (or cessation of action) by the defendant that the judgment produces — the payment of damages, or some specific performance, or the termination of some

<sup>19</sup>(...continued)

*Appeals*, 846 S.W.2d 284, 285 (Tex. 1993) (Doggett, J., concurring); *Harbison-Fisher Mfg. Co. v. Mohawk Data Sciences Corp.*, 840 S.W.2d 383, 383-84 (Tex. 1992); *Kidder, Peabody & Co. v. Lutheran Bhd.*, 840 S.W.2d 384 (Tex. 1992); *Raborn v. Davis*, 795 S.W.2d 716, 717 (Tex. 1990); *United Servs. Auto. Ass'n v. Lederle*, 400 S.W.2d 749 (Tex. 1966); *Swanson Broadcasting, Inc. v. Clear Channel Communications, Inc.*, 762 S.W.2d 360, 361 (Tex. Ct. App. 1988); *Butler v. State*, 481 S.W.2d 907 (Tex. Crim. App. 1972); *Salazar v. State*, 486 S.W.2d 323, 324 (Tex. Crim. App. 1972); *Duke v. Sears, Roebuck & Co.*, 446 S.W.2d 886, 887 (Tex. Civ. App. 1969); *Castro v. Highlands Ins. Co.*, 401 S.W.2d 689 (Tex. Civ. App. 1966); *Elchelberger v. Orr*, 392 S.W.2d 474, 474-75 (Tex. Civ. App. 1965); *St. Louis, B. & M. Ry. v. Texas Mexican Ry.*, 212 S.W.2d 502, 503 (Tex. Civ. App. 1948); *Polunsky v. Polunsky*, 152 S.W.2d 932, 933 (Tex. Civ. App. 1941); *Dilbeck v. Estep*, 145 S.W.2d 218, 219 (Tex. Civ. App. 1940); *Superior Oil Co. v. Blain*, 141 S.W.2d 428, 429 (Tex. Civ. App. 1940); *United Employers Casualty Co. v. Teer*, 142 S.W.2d 933, 934 (Tex. Civ. App. 1940); *Maryland Casualty Co. v. Brakebill*, 130 S.W.2d 306 (Tex. Civ. App. 1939); *Southern Underwriters v. Evans*, 112 S.W.2d 542 (Tex. Civ. App. 1938); *Cullen v. Ellis County Levee Improvement Dist.*, 77 S.W.2d 310, 311-12 (Tex. Civ. App. 1934); *San Jacinto Rice Co. v. Hamman*, 247 S.W. 500, 500-01 (Tex. Com. App. 1923).

conduct. . . . The real value of the judicial pronouncement — what makes it a proper judicial resolution of a “case or controversy” rather than an advisory opinion — is in the settling of some dispute *which affects the behavior of the defendant towards the plaintiff*.

*Hewitt v. Helms*, 482 U.S. 755, 761 (1987) (emphasis in original).<sup>20</sup>

Any curtailment of the lower courts’ discretion to vacate judgments will significantly lessen the ability of the courts to attend to actual disputes.

## 2. Vacation of a Judgment Upon Settlement Promotes the Efficient Use of Judicial Resources and Protects the Interests of Litigants.

In addition to disposing of numerous appeals, the availability of vacatur also discourages parties from waiting in the wings, in an attempt to take advantage of a favorable judgment while avoiding any effect of an unfavorable one. Affirmance of the judgment below reinforces that such litigants who fail to participate in an action in which they allegedly have an interest do so at their own risk.

The practice of vacatur upon settlement also protects the interests of litigants who wish to terminate lengthy and costly litigation by allowing them to settle on terms agreeable to the parties. By permitting vacatur, the courts remove what is

<sup>20</sup> See also *In re Memorial Hosp. of Iowa County, Inc.*, 862 F.2d 1299, 1302 (7th Cir. 1988) (“[L]itigation is conducted to resolve the parties’ controversies; precedent is a byproduct of resolving disputes rather than the *raison d’être* of the judicial system.”) (citations omitted); *Neary v. Regents of the Univ. of Cal.*, 834 P.2d 119, 124 (Cal. 1992) (subordinating the production of judicial pronouncements to the higher priority of resolving real disputes “does not undermine our integrity or demean our function. By providing a forum for the peaceful resolution of citizens’ disputes, we provide a cornerstone for ordered liberty in a democratic society.”).

sometimes a serious obstacle to settlement, and avoid the necessity of deciding numerous appeals, petitions for review, and potential retrials.

Although Izumi contends that vacatur upon settlement is a detriment to prejudgment settlement because “[i]t does not provide an incentive for settlement *before* a case goes to trial” (Pet. Br. 32) — its argument is based upon a simplistic and erroneous view of the realities of litigation and settlement. This view assumes that proceeding to trial and judgment is cost free, a premise which is patently untenable.<sup>21</sup> Parties incur substantial monetary costs trying a case, and the cost of settlement is virtually always affected by a judgment — either minimizing the cost to a prevailing defendant or increasing the demand of a successful plaintiff.

Balanced against Izumi’s unrealistic speculation that parties will proceed to trial merely because vacatur is available is the real and substantial evidence that the practice of granting vacatur results in a direct and immediate conservation of judicial and private resources. Permitting vacatur upon settlement ends the litigation, as it did this one, and avoids not only the hearing and deciding of an appeal, but also the extensive proceedings that ensue following a reversal at the appellate level. This procedure clears both the trial and appellate court dockets for other litigants who have actual, live disputes. See *Federal Data Corp. v. SMS Data Prods. Group, Inc.*, 819 F.2d 277, 280 (Fed. Cir. 1987) (refusal to allow vacatur upon settlement “is wasteful of the resources of the judiciary”).<sup>22</sup>

<sup>21</sup> See *Neary*, 834 P.2d at 122 (the contention that availability of vacatur upon settlement renders going to trial cost-free “is rather like saying death is only temporary, apart from its permanency”).

<sup>22</sup> See also *Nestle Co. v. Chesters Mkt., Inc.*, 756 F.2d 280, 282 (2d Cir. 1985) (“[H]ere we are faced with a settlement that will bring pending litigation to an end. Because the policies favoring finality of judgments are intended to conserve judicial and private resources, the denial of the motion for vacatur is counterproductive because it will lead to more rather than less litigation.”); *Memorial Hospital*, 862 F.2d at 1302 (“Any dispo-  
(continued...)”).

Vacatur upon settlement further allows courts to protect defendants from substantial inequities that may result from an application of offensive nonmutual collateral estoppel. As Professor Currie observed, inequity occurs if a defendant successfully demonstrates in 24 separate lawsuits that its product design is not defective, but after losing the issue in the 25th suit, the defendant is thereafter forever precluded from relitigating the issue against future plaintiffs. See Brainerd Currie, *Mutuality of Collateral Estoppel: Limits of the Bernhard Doctrine*, 9 Stan. L. Rev. 281 (1957). In such situations, the possibility of obtaining vacatur upon settlement offers the defendant an opportunity to avoid such a clearly inequitable result. The availability of vacatur upon settlement, therefore, also allows courts in the proper exercise of their discretion to avert the various inequities associated with nonmutual offensive preclusion.

### 3. Vacation of the District Court Judgments Does Not Implicate the Public Interest in *Stare Decisis* and Preservation of Precedent.

In arguing a significant public interest in the issue at bar, Izumi fails to distinguish between vacatur of a district court judgment and vacatur of a judicial opinion. Philips and Windmere neither sought nor obtained the vacation of any judicial opinion and the issue was not reached by the Federal Circuit. The only issue here is the vacation of two unreported judgments entered on a jury verdict which merely resolved a private dispute between Windmere and Philips.<sup>23</sup>

<sup>22</sup>(...continued)

sition that the parties to the litigation unanimously endorse has much to be said for it — it produces peace for the parties and frees scarce judicial time to attend to litigants who need it.”).

<sup>23</sup> On remand from the Federal Circuit, the district court entered an order insuring that there were no collateral effects from any prior proceedings (J.A. 171a). The district court’s opinion on Philips’ motion for judgment notwithstanding the verdict was not expunged. See *U.S.* (continued...)

The decision in *In re Memorial Hosp. of Iowa County, Inc.*, 862 F.2d 1299 (7th Cir. 1988), cited by Izumi to support its argument that vacatur harms the public interest in precedent (Pet. Br. 33), is inapposite. *Memorial Hospital* was almost entirely predicated on the concern for the precedential value of *opinions*. The court’s decision was based “on the ground that an *opinion* is a public act of the government, which may not be expunged by private agreement.” *Id.* at 1300 (emphasis added); see also *id.* at 1303.

Although Izumi blurs the clear distinction between opinions and judgments, this fundamental distinction, and the vastly different level of public interest that attaches to opinions and judgments, has been emphasized by courts explicitly addressing the impact of vacatur. See, e.g., *Home Indem. Co. v. Farm House Foods Corp.*, 770 F. Supp. 1348, 1350 (E.D. Wis. 1991) (authority concerning vacatur of judgments unrelated to request for vacatur of a district court decision and order as “a decision and order is entirely different from a judgment”).

Accordingly, Izumi’s contention that vacatur of two unpublished judgments deprived the public of valuable precedent is simply incorrect on the facts of the case at bar.

## II.

### THE COURT OF APPEALS PROPERLY DETERMINED THAT IZUMI IS NOT A PARTY AND DOES NOT HAVE STANDING; THAT ISSUE HAS NOT PROPERLY BEEN PRESENTED FOR REVIEW AND THE WRIT SHOULD BE DISMISSED.

Although reversal of the lower court’s determination that Izumi lacked standing was necessary for Izumi to raise the merits of vacatur before this Court, Izumi did not present any question regarding standing in its petition for certiorari.

<sup>23</sup>(...continued)

*Philips Corp. v. Windmere Corp.*, 1992-1 Trade Cas. (CCH) ¶ 69,778 (S.D. Fla. 1991).

Therefore, Izumi is now bound by the lower court's decision that it lacked standing to object and for this reason, the writ of certiorari should be dismissed.<sup>24</sup>

Even if Izumi had properly presented the issue for review, the court of appeals' determination that Izumi lacked standing was sound, and should not be disturbed absent an abuse of discretion. See *NAACP v. New York*, 413 U.S. 345, 365-66 (1973) (intervention must be timely; lower court's decision regarding timeliness is subject to reversal only for abuse of discretion). The court of appeals did not abuse its discretion in refusing to accord Izumi standing to intervene to object to vacatur both because of Izumi's attenuated connection to the judgments and because of Izumi's delay in seeking to protect its alleged interest.

The only interest in these judgments asserted by Izumi is that it is the indemnitor of Windmere, which supports vacatur of the judgments, the indemnitor of Sears, which seeks to use the unfair competition judgment collaterally, and that it may seek to use the antitrust judgment offensively if its antitrust claim is ever revived. As shown below, this interest is, at best, minimal and simply insufficient to confer standing under the circumstances here.

<sup>24</sup> The issue of Izumi's standing has never been properly presented to the Court. Izumi was not a "party" entitled to petition for certiorari under 28 U.S.C. § 1254(1), and its petition never sought review of the decision below that Izumi lacked standing. Although non-parties may seek review of such a decision, see, e.g., *International Union, UAW, Local 283 v. Scofield*, 382 U.S. 205, 209 (1965), Izumi never did so. Its petition presented a single "question presented" addressed to the merits of vacatur, and that question did not "fairly include" the standing issue. See Sup. Ct. R. 14.1(a). Only after the petition was granted did Izumi recognize the issue and, contrary to Sup. Ct. R. 24.1(a), add a question presented and substantial argument on the standing issue in its Brief on the Merits. Hence, the Court should dismiss the writ of certiorari. See, e.g., *New York v. Uplinger*, 467 U.S. 246, 248 (1984) (per curiam); *Burrell v. McCray*, 426 U.S. 471, 472 (1976) (Stevens, J., concurring); *The Monrosa v. Carbon Black Export, Inc.*, 359 U.S. 180, 184 (1959); *Rice v. Sioux City Memorial Park Cemetery, Inc.*, 349 U.S. 70, 79 (1955).

Izumi now cites Fed. R. Civ. P. 24(a)(2) — applicable only to the district courts — in support of its claim that it should have been permitted to intervene in the court of appeals. Rule 24(a)(2), however, "obviously" applies only to a "significantly protectable interest." *Donaldson v. United States*, 400 U.S. 517, 531 (1971). Izumi has no such interest here. First, Philips and Windmere have exchanged general releases and there is no possibility of Izumi having to indemnify Windmere in the future on the same claim. Second, although Izumi attempts to assert Sears' interest in the unfair competition judgment, Sears did not object to the joint motion to vacate, and was apparently content to pursue its appeal to the Federal Circuit of the order reinstating Philips' unfair competition claim.

Third, Izumi's alleged interest in using the antitrust judgment offensively against Philips is, at best, questionable. See *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 329-30 (1979); see also *supra*, pp. 22-23. Izumi's antitrust claim has been dismissed with prejudice, and repeated motions for reconsideration have been denied. Izumi cannot even attempt to assert nonmutual offensive collateral estoppel unless that dismissal is reversed. Thus, Izumi's alleged interest in either judgment is hardly a "significantly protectable interest." See *Donaldson*, 400 U.S. at 531.

While this Court has permitted non-parties to intervene in an action and then petition for certiorari, it has done so only when the non-party was the real party in interest and was asserting significantly greater interests in the results than Izumi can here. In both *Banks v. Chicago Grain Trimmers Ass'n*, 390 U.S. 459 (1968), *cert. granted*, 389 U.S. 813 (1967) and *Hunter v. Ohio ex rel. Miller*, 396 U.S. 879 (1969), the petitioners, the real parties in interest, had been represented below by governmental entities, which had declined to pursue appeals to this Court. On the non-parties' proper motion, the Court permitted the petitioners to intervene.

The Court also permitted intervention in *International Union, UAW, Local 283 v. Scofield*, 382 U.S. 205 (1965). That case, however, involved the unique situation of unions

that were successful parties in National Labor Relations Board hearings seeking to intervene in the appeals brought by the losing parties, because the technical defendant in those proceedings was the Board, not the unions. *Id.* at 222. Izumi's interest in the Florida litigation does not approximate that of the petitioners in *Banks*, *Hunter* or *Scofield*.

The parties permitted to intervene in cases cited by Izumi also had significantly more substantial interests. For example, Izumi relies on *Triax Co. v. TRW, Inc.*, 724 F.2d 1224 (6th Cir. 1984), but that case demonstrates the relative insignificance of Izumi's alleged interest here. In *Triax*, intervenor was a patent holder who had assigned his rights under a patent while maintaining rights of reversion. *Id.* at 1226-27. The assignee sued an infringer, the patent was held invalid and the assignee then chose not to appeal. *Id.* at 1226. Under Fed. R. Civ. P. 24(a)(2), the district court permitted the patent holder to intervene because he was faced with the prospect of being barred by collateral estoppel from ever again exercising his rights under the patent. *Id.* at 1227.<sup>25</sup>

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<sup>25</sup> In each of the other cases cited by Izumi in support of its intervention argument (*see* Pet. Br. 14 n.6), the intervenor had a palpably greater interest in the underlying litigation than Izumi does here. In *Goodman v. Heublein, Inc.*, 682 F.2d 44 (2d Cir. 1944), the district court had awarded plaintiff attorneys' fees, but before the appeal plaintiff fired his attorney and assigned the fee award to his attorney. The Second Circuit allowed the attorney to intervene to appeal the fee award because plaintiff was no longer protecting the attorney's interest. *Id.* at 47. In *United States v. Bursey*, 515 F.2d 1228 (5th Cir. 1974), the district court ordered that bond money posted by a criminal defendant be paid into court as reimbursement for costs. The parties actually providing the funds intervened to appeal the order — without opposition from the government — as the real parties in interest. *Id.* at 1232. Finally, in *Hurd v. Illinois Bell Tel. Co.*, 234 F.2d 942, 944 (7th Cir.), *cert. denied*, 352 U.S. 918 (1956), the court reluctantly permitted intervention by persons similarly situated to plaintiff, stating "although intervention after judgment is not to be lightly permitted this cause is so fraught with elements of possible prejudice to petitioner and other pensioners similarly situated, that we, in the exercise of a sound discretion conclude that our order permitting petitioner to intervene should be allowed to stand."

Izumi attempts to portray its situation as similar to the intervenor's in *Triax* by arguing that the vacatur order "casts a cloud over Izumi's entire rotary shaver business in the United States" because of "the spectre of lawsuits by Philips against any distributor who agrees to carry Izumi rotary shavers" (Pet. Br. 15). In the nine years since the Florida action was filed, Izumi has never identified any other distributor or even any potential distributor who feels so threatened. This alleged potential harm from "the spectre of lawsuits" wanes in comparison to the real burdens imposed on the *Triax* intervenor who would have been forever precluded from asserting his patent.

It is likewise clear that Izumi waited too long to protect whatever interests it may have had in these judgments. *See supra*, pp. 6, 9. Izumi's conscious delay in seeking to intervene to protect its alleged interest until after the Philips-Windmere settlement was consummated and Philips had given up its right to appeal is sufficient grounds to deny leave to intervene. *See Farmland Dairies v. Commissioner of N.Y. State Dep't of Agric. and Mkts.*, 847 F.2d 1038, 1044 (2d Cir. 1988) (court affirmed the denial of intervention of those who remained deliberately silent until after the parties had completed their settlement).

Izumi does not have standing, the court of appeals properly exercised its discretion in denying standing, and since Izumi is not a "party," the writ should be dismissed.

## CONCLUSION

The writ of certiorari should be dismissed or the decision of the Court of Appeals for the Federal Circuit should be affirmed.

Respectfully submitted,

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May 21, 1993

EXHIBIT A

IN THE

**United States District Court**

**EASTERN DISTRICT OF CALIFORNIA**

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JAMES S. SCOTT, Regional Director of the  
Thirty-Second Region of the National Labor  
Relations Board, for and on behalf  
of the NATIONAL LABOR RELATIONS BOARD,  
*Petitioner,*

v.

IRON WORKERS LOCAL 118, INTERNATIONAL  
ASSOCIATION OF BRIDGE, STRUCTURAL AND  
ORNAMENTAL IRON WORKERS, AFL-CIO  
*Respondent.*

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**ORDER**

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On November 23, 1988, the United States Court of Appeals for the Ninth Circuit issued an order remanding the above-referenced action to this court to determine whether to vacate its judgment. The issue was fully briefed by the parties and came on for hearing on the court's regularly scheduled law and motion calendar on February 21, 1989. After hearing, the court took the matter under submission. For the reasons set forth below, the court will not vacate its judgment.

**I**

**PROCEDURAL HISTORY**

The National Labor Relations Board (the "Board") brought this action under section 10(1) of the National Labor Relations Act to enjoin picketing by the Iron Workers

Local 118 ("Iron Workers"). On May 11, 1988, the court denied the petition for preliminary injunction. The court found that the Iron Workers' conduct, if true, came within the scope of an outstanding injunction issued by the Ninth Circuit. Since the alleged conduct was already prohibited by an extant injunction, the court concluded that it would be futile to issue a second injunction. On June 16, 1988, the court denied the Board's request for reconsideration of that order.

On July 1, 1988, the Board filed a Petition for Adjudication in Civil Contempt with the Ninth Circuit, alleging that the activities complained of were in violation of the Ninth Circuit's Order. Then, on July 19, 1988, the Board filed an appeal from this court's order denying the petition for preliminary injunction. The following day, however, the Board withdrew the administrative complaint underlying the petition for injunctive relief. In light of this, the parties stipulated that the appeal was moot. Accordingly, on November 23, 1988, the Ninth Circuit dismissed the appeal as moot and remanded the matter to this court to determine whether to vacate its judgment in light of the teachings of *Ringsby Truck Lines v. Western Conference of Teamsters*, 686 F.2d 720 (9th Cir. 1982).

## II

### ANALYSIS

In a well-established line of cases, the Supreme Court has taught that when a case becomes moot on appeal, the appellate court should vacate the lower court judgment and order dismissal of the action. See, e.g., *Burke v. Barnes*, 479 U.S. 361, 365 (1987); *United States Department of Treasury v. Galioto*, 477 U.S. 556, 560 (1986); *City of Mesquite v. Aladdin's Castle, Inc.*, 455 U.S. 283, 288 n.9 (1982); *Great Western Sugar Co. v. Nelson*, 442 U.S. 92, 93-94 (1979); *United States v. Munsingwear*, 340 U.S. 36,

39-40 (1950). In fact, if a proper request is made, it is said to be the "duty" of the appellate court to vacate the lower court judgment. *Duke Power Co. v. Greenwood County*, 299 U.S. 259, 267 (1936). The purpose of this rule is to "clear the path for future relitigation of the issues between the parties and eliminate a judgment, review of which was prevented through happenstance." *Munsingwear*, 340 U.S. at 40. In this way, "[no party] is prejudiced by a decision which in the statutory scheme was only preliminary." *Id.* The basic concern underlying this doctrine, therefore, is to protect parties from the res judicata effect of a judgment where the opportunity to appeal has been lost.

The Ninth Circuit has recognized a discretionary exception to this rule where the losing party was responsible for rendering the case moot at the appellate level. See *Ringsby Truck Lines v. Western Conference of Teamsters*, 686 F.2d 720 (9th Cir. 1982).<sup>1</sup> In *Ringsby*, the appellant sought to vacate an arbitration award which had been upheld by the district court. Pending appeal, the parties settled and agreed that the district court judgment should be vacated. The court agreed that the settlement mooted the appeal, but refused to vacate the lower court judgment. The court was concerned that "[i]f the effect of post-judgment settlements were automatically to vacate the trial court's judgment, any litigant dissatisfied with a trial court's findings would be able to have them wiped from the books." *Ringsby*, 686 F.2d at 721. The court distinguished the case from *Munsingwear*, which dealt only with mootness caused by "happenstance," and observed that "when the appellant has by his own act caused the dismissal of the appeal . . . , he is in no position to complain that his right of review of an adverse lower court judgment

<sup>1</sup> Other circuits have recognized a similar exception. See, e.g., *United States v. Garde*, 848 F.2d 1307, 1310-11 (D.C. Cir. 1988); *State of Wisconsin v. Baker*, 698 F.2d 1323, 1330-31 (7th Cir.), cert. denied, 463 U.S. 1207 (1983).

has been lost." *Id.* at 722. Under these circumstances, the court held, it is not the duty of the appellate court to direct dismissal of the action. Rather, the case should be remanded to the district court to decide whether to vacate its judgment.

The Supreme Court has looked upon such exceptions with disfavor. See *New Left Education Project v. Board of Regents of the University of Texas*, 414 U.S. 807 (1973); see also *Great Western Sugar Co. v. Nelson*, 442 U.S. 92 (1973). *New Left* involved two university rules which the district court had declared invalid. Pending appeal, the Regents repealed the rules. The Fifth Circuit found that because the Regents had mooted the appeal by their own actions, the necessity of protecting their right to review "disappear[ed]." *New Left*, 472 F.2d 218, 221 (5th Cir. 1973). Moreover, the court explained, "dismissal of the suit, as distinguished from dismissal of the appeal, might result in unfairness to the appellee." *Id.* (quoting *Cover v. Schwartz*, 133 F.2d 541, 547 (2d Cir. 1943)). The court distinguished *Duke Power Co.* and *Munsingwear* as having dealt only with mootness caused by happenstance. Where the appellant rendered the case moot by his own actions, the court concluded, the proper practice was to declare the case moot for appellate purposes, leaving the district court judgment intact. The Supreme Court summarily reversed this decision and remanded the case to the district court with directions to dismiss the case as moot. *New Left*, 414 U.S. 807 (1973).<sup>2</sup>

<sup>2</sup> In *Great Western Sugar Co.*, the appeal became moot because arbitration proceedings had been completed. The Tenth Circuit dismissed the appeal as moot but, without explanation, allowed the judgment of the trial court to stand. The Supreme Court found this "totally at odds with the holding of *Duke Power*." *Great Western Sugar Co.*, 442 U.S. at 93. The Court went on to suggest that "[t]he Court of Appeals' disposition of this case may have been the

(continued...)

The Supreme Court's reversal in *New Left* appears to have implicitly rejected *Ringsby*.<sup>3</sup> Although the Circuit has noted criticism of its decision, see, *Harrison Western Corp. v. United States*, 792 F.2d 1391, 1394 n.2 (9th Cir. 1986), subsequent cases have been distinguished without retreating from the principles enunciated in *Ringsby*.<sup>4</sup> Furthermore,

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<sup>2</sup>(...continued)

result of a desire to show approval of the reasoning of the District Court," but stated that, "that motive cannot be allowed to excuse its failure to follow the teachings of *Duke Power Co.*" *Id.* at 94.

<sup>3</sup> In *Ringsby*, the Ninth Circuit purports to rely on the distinction between litigants who are and are not responsible for rendering their case moot at the appellate level. Surprisingly absent from the opinion, however, is any reference to *New Left*.

<sup>4</sup> In *Kitlutsisti v. Arco Alaska, Inc.*, 782 F.2d 800 (9th Cir. 1986), the appeal was mooted by the expiration of an injunction issued by the district court. There was nothing in the record to suggest that any of the appellants "changed their positions and mooted the case to avoid the preclusive effect of the district court's judgment." *Kitlutsisti*, 782 F.2d at 801. Accordingly, the court found that *Ringsby* did not apply and remanded with directions to vacate the district court judgment.

In *Harrison Western Corp. v. United States*, 792 F.2d 1391 (9th Cir. 1986), the district court ruled that a contractor had properly terminated its contract with the government. Pending appeal, the parties signed a new contract which covered the same subject matter. The court of appeals concluded that, as a matter of law, the government abandoned all claims under the first contract by signing the second contract without a reservation of rights, and dismissed the appeal as moot. The court distinguished the case from *Ringsby*, explaining that because the very act which rendered the case moot also precluded the government from bringing any claim related to the first contract, the collateral effects of the district court judgment were adequately preserved by simply

(continued...)

since the Ninth Circuit has remanded the instant case in light of *Ringsby*, the court apparently considers *Ringsby* to govern this case. For this reason, I must decide whether it is appropriate to vacate the judgment.

In making this determination, the district court is instructed to consider the equities and hardships in the particular case and to balance "between the competing values of finality of judgment and right to relitigation of unreviewed

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<sup>4</sup>(...continued)

dismissing the appeal. Thus, the court concluded that this was "not . . . a *Ringsby* problem" at all. *Harrison*, 792 F.2d at 1394. Therefore, the court "adopt[ed] the usual practice and vacat[ed] the judgment of the district court with instructions to dismiss." *Id.*

The *Harrison* court further distinguished *Ringsby* on the ground that here "the act which rendered the controversy moot required the participation of *both* parties." *Id.* at n.2. The court went on to state that "[i]nsofar as the prevailing party causes an appeal to become moot, preservation of the district court judgment is problematic. By leaving that judgment in place, the appellate court may allow the prevailing party to preclude an appeal while retaining the collateral effects of its trial court victory." *Id.* In that situation, the appellate court should be "particularly wary" of letting the lower court judgment stand. *Id.* These comments and their implications relative to *Ringsby* are particularly troublesome, since it is clear that in *Ringsby* both parties had to have agreed to the settlement. In this regard, I also note that the Second Circuit has criticized the Ninth Circuit's reliance on its decision in *Cover v. Schwartz* to support *Ringsby*. See *Nestle Co., Inc. v. Chester's Market, Inc.*, 756 F.2d 280, 283 n.4 (2d Cir. 1985). As explained by the Second Circuit, *Cover*, when read in light of *New Left*, "stands at best for the proposition that a plaintiff who has lost in the district court may not void the adverse judgment by unilaterally abandoning claims for relief and thereby leav[ing] the defendant vulnerable to renewed litigation." *Id.* at 283. Thus, to apply *Cover* where both parties agreed to vacation as part of a settlement was a "misreading" of that decision. *Id.* at 283 n.4.

disputes." *Ringsby*, 686 F.2d at 722. How this standard is to be applied is far from clear. Nevertheless, I begin by recognizing that since the Ninth Circuit remanded under *Ringsby*, the court must have made some determination.<sup>5</sup> At the very least, the court has determined that the Board caused the appeal to become moot by their act of withdrawing the underlying administrative complaint. On the other hand, if the court determined that the Board's actions were taken in a deliberate attempt to destroy the preclusive effect of the district court judgment, the appropriate course under *Ringsby* appears clear — namely, that the judgment should not be vacated — and there would be nothing for this court to decide on remand. Thus, I must conclude that the appellate court determined that the Board caused the appeal to become moot by withdrawing the administrative complaint and that my task upon remand is to evaluate whether its motives for doing so suggest an attempt to take unfair advantage of the process.

In their briefs and oral argument before this court, the Board argued that it withdrew the administrative complaint, at least in part, because the Iron Workers had ceased picketing. The sole reason given to the administrative law judge for withdrawing the complaint, however, was that the Board had decided to pursue contempt proceedings before the Ninth Circuit. Those proceedings, however, had been instituted several weeks before the appeal was filed. Significantly, the Board withdrew the complaint only one day after the appeal was filed. Thus, the Board's assertion that it was "fully prepared — indeed, committed — to prosecute the appeal" is less than credible. The more likely inference from this sequence of events is that the Board had already made

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<sup>5</sup> Since the court clearly recognizes that in the usual case, its duty is to dismiss with instructions to vacate the trial court's judgment, see, e.g., *Harrison*, 792 F.2d at 1393, the court must have made some determination that justified departing from that procedure.

the decision to withdraw the administrative complaint at the time the appeal was filed. The only reason, then, for filing the appeal would have been in hopes of being able to vacate the adverse lower court judgment by filing the appeal and then causing it to become moot by withdrawing the administrative complaint. This inference is supported by the declarations of Iron Workers' attorneys Sokol and Roger, who attest that, in their experience, the Board has never withdrawn an administrative complaint, even when the alleged unlawful activity has ceased completely, except in those situations where it has decided that the complaint has no substantive merit. Under these circumstances, I find that the equities do not favor vacating the judgment.

Accordingly, the court declines to vacate its judgment. However, because this procedure appears to be contrary to Supreme Court teachings, I urge the Board to appeal this decision to test the viability of *Ringsby*. Finally, the Iron Workers have requested sanctions against the Board. Given the fact that an exception to the duty of the appellate court to vacate the lower court judgment is questionable, I do not find that sanctions are justified.

IT IS SO ORDERED.

DATED: June 1, 1989.

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LAWRENCE K. KARLTON, CHIEF JUDGE  
UNITED STATES DISTRICT COURT